

Math for Financial Literacy © 2013

Chapter 11: Building Wealth—Glossary

bankrupt. When a person or entity is unable to pay debts as the payments are due.

bond yield. Way to measure the return on investment from a bond.

bondholder. Current owner of a bond.

broker. Person who acts as an agent between the buyer and seller of stock.

common stock. Non-preferred stock with no guaranteed dividend.

coupon rate. Interest rate of a bond.

discount. Term used to describe a bond that sells for less than the par value.

diversification. Spreading money around in multiple investments.

dividend. Portion of a company's profits that is distributed to its stockholders by its management.

dividend yield. Ratio of dividend to the price of the stock.

face value. Amount borrowed; also called the *par value*.

fund manager. Person who decides what stock trades should be made on behalf of a mutual fund.

initial public offering (IPO). First time the stock in a company is sold.

load. Commission charges on a mutual fund.

maturity date. Date on which a bond must be repaid by the entity that issued it.

mutual fund. Type of investment in which the money from many investors is combined to buy a diversified group of stocks.

net asset value (NAV). Total assets of a mutual fund minus any debts the fund may have, divided by the number of shares held by shareholders.

net worth. Person's total assets minus his or her total liabilities.

offer price. Price of a mutual fund including the commission charges.

passive income. Income from an activity or investment in which the owner does not actively participate.

preferred stock. Class of stock that receives dividends first, sometimes receiving guaranteed dividends.

premium. In investment terms, a term used to describe a bond that is selling for more than the par value.

privately-held company. Organization that is owned by a small group of individuals; its stock is not offered to the general public.

prospectus. Document that shareholders and potential shareholders are provided with that has the details of the risks and fees involved in the investment.

publicly-held company. Organization that offers its stock to the general public; the shares of stock are openly traded between shareholders on a public market; also called *publicly-traded company*.

stock. Certificate that signifies legal ownership.

stock exchange. Place where stock is traded.

stockholder. Owners of company stock; also called *shareholder*.

wealth. Abundance of resources or possessions that you own.