*Ask price, Bid price, Bond Ratings, Bonds, Common Stock, Compound Interest, Diversification, Dividend, Exchanges, Investing, Mutual Funds, Pension Programs, Pooled Funds, Portfolio, Preferred Stock, Primary Market, Principal, Risk Averse, Risk Tolerance, Secondary Market, Social Security, Stock Market, Stocks, Systematic Risk, Unsystematic Risk*, *Volatile*

1. Compound Interest - interest calculated on the initial principal and also on the accumulated interest of

previous periods

2. Volatile – refers to something whose value fluctuates frequently

3. Principal – initial sum of money

4. Systematic Risk - risk inherent to an entire market that is unpredictable and impossible to avoid

5. Common Stock – represents ownership in a company and claim on profit, with one vote per share

6. Primary Market – where securities are created and stocks are initially issued through IPO

7. Dividend – a sum of money paid regularly by a company to its shareholders out of its profits

8. Diversification - a risk management tool that mixes a large amount of different investment mediums within

a portfolio

9. Risk Tolerance – a measure of how much risk you can handle as an investor

10. Social Security – government program that is paid for by an income tax that will be given to retirees and

those who are disabled

11. Bond Ratings - a grade given to a particular bond that indicates its credit quality

12. Stocks – a general term used to describe the ownership certificates of any company

13. Mutual Funds – an investment vehicle that consists of a pool of funds contributed by many investors in

order to invest in stocks, bonds, and other assets

14. Investing – the act of committing money or capital to an endeavor with the expectation of obtaining an

additional income or profit

15. Portfolio – a conglomerate of different financial assets that helps balance risk and return according to the

investor’s risk tolerance

16. Unsystematic Risk –company- or industry-specific risk that is inherent in all investments and can be

reduced through diversification

17. Risk Averse – refers to an investor who, when faced with two investments with a similar expected return,

will prefer the one with the lower risk

18. Bid price – price quoted for those who want to buy

19. Pension Programs - type of retirement plan where an employer puts money into a pool of funds that is

invested on the employee’s behalf

20. Exchanges – can be physical or virtual; facilitates trading of securities between buyers and sellers

21. Preferred Stock – a type of stock that is usually guaranteed a fixed dividend

22. Pooled Funds – investment from many individuals that are aggregated specifically to be invested

23. Stock Market – facilitates the exchange of securities between buyers and sellers

24. Bonds - an interest-bearing security that obligates the issuer to pay the bondholder a specified sum of

money, usually at specific intervals (known as a coupon), and to repay the principal amount of the

loan at maturity

25. Ask price – price quoted for those who want to sell

26. Secondary Market – where previously-issued stocks are traded