

Glossary: budgeting and saving

Budget: an estimate of the income and expenses of a person, family or an organization over a certain period of time.

Compound interest: interest that is earned on the amount you deposit plus any previously generated interest. This type of interest grows over time, even if no additional deposits are made.

Expense: something you spend money on. This could be a good or service. A budget will have fixed and variable expenses.

Income: amount of money earned or coming into the household.

Interest: amount of money earned as a result of investing a sum of money in a financial institution.

Need: something that you must have to survive, such as food.

Net income: the amount of take-home pay after any taxes and deductions.

Savings: money you set aside to use for a special purpose, such as a large expense, education, or retirement.

Simple interest: interest that is earned on the amount you deposit. The amount depends on the principal, the interest rate, and the length of time the money is invested.

Total monthly expenses: the total amount of money spent in a month, this number is often calculated when making a budget.

Total monthly income: the total amount of money that comes into a household in a month, this number is often calculated when making a budget.

Want: something that you wish to have but do not need in order to survive.