MODULE 5

Glossary

Handout 5-13

Bond: A kind of investment where you (an investor) lend your money to a government or a company for a period of time, at an interest rate.

Compound interest: When the bank pays interest into the savings account after a year, and then starts paying interest on the money we put in plus the interest we earned. With compound interest, the interest we earn grows every year, even if we do not make more deposits.

Earnings: This means money earned from work, but it also means what you earn on savings and investments.

Guaranteed Investment Certificate (GIC): A type of investment. You deposit money with a financial institution for a fixed period of time and get a set rate of interest at the end of that period.

Interest: The amount of money you get paid when you lend a financial institution your money to invest. This can also mean an amount of money you pay regularly, at a particular rate, for borrowing money or delaying paying off debt.

Investment: A way to put your money to work so that it has a chance to increase in value.

Investor: Someone who makes an investment.

Maturity date: The date on which a bond, GIC, or term deposit is due to be paid out.

Mutual fund: A pool of money that is managed for a large number of investors by a professional money or fund manager.

Need: Something you must have to live, such as food.

Registered Disability Savings Account (RDSP): A type of Canadian account for holding savings and investments, intended for retirement savings. During your retirement, you can with- draw from your RRSP. You will pay taxes on the amount you withdraw.

Registered Education Savings Plan (RESP): A special savings plan that allows people to put money aside for a child's education after high school. The government may also add money to the plan.

Registered Retirement Savings Plan (RRSP): A special savings plan for people who are working and paying taxes. It helps you to reduce your taxes and save for old age at the same time.

Return: The profit you make on an investment through interest, dividends or increased value of the investment.

MODULE 5

Glossary

Handout 5-13 (continued)

Risk: The possibility of being exposed to harm or loss. In some forms of investing, the risk is that you might lose money. Some investments have very low risk and some have higher risk.

Risk tolerance: How willing or comfortable you are to risk losing your money on an investment.

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

Shares: This is what you buy if you invest in the stock market. It means that you own a small part of the company. If the company does well, your shares increase in value.

Shareholder: Someone who owns shares in a company.

Simple interest: Interest that is paid only on the amount you deposit. Simple interest does not pay interest on the money that your deposit earns over time (See compound interest).

Stocks: Shares in a company. What you buy if you invest in the stock market (See shares).

Tax-Free Savings Account (TFSA): A type of savings account in Canada that does not apply taxes on contributions, interest earned, dividends, or capital gains. You can withdraw from the TFSA without paying taxes on it. TFSAs have limits on the amount of money you can contribute each year.

Term: A set period of time.

Term deposit: A type of deposit with a financial institution that you earn interest on. You get your money plus the interest at the end of the set term (See Guaranteed Income Certificate).

Want: Something you desire (but do not need to live).