



## Your pocket guide to understanding financial terms

Financial Literacy Programme  
A NALA/EBS Partnership

# Foreword

The EBS Building Society partnered with the National Adult Literacy Agency (NALA) to develop a programme, which would help to target the growing issue of family and financial literacy. Prior to entering the partnership, EBS recognised that many challenges existed in tackling the barriers to family and financial literacy. In today's society, the availability of increasingly complex financial products and the growing need to be financially self-sufficient means that people must be increasingly financially literate.

As an organisation founded on the principles of mutuality with a long heritage in providing educational support, EBS understands that family literacy development is particularly important, as parents are the first and most constant educators of children. Family literacy encourages parents and children to work together to improve both their literacy skills.

In bringing together the financial and customer expertise of EBS with NALA's specialist knowledge of

adult basic education, the organisations are working together to help tackle financial literacy and to address the issue of access to financial products and services for those with literacy and numeracy difficulties.

This A-Z Pocket Guide to Understanding Financial Terms is just one of the achievements of EBS's partnership with NALA. Having launched it originally in 2004 we have now updated it with modern terminology to meet with the increasing demand for the book. The guide is an important resource that will help to create a much greater understanding of the dense and obscure

jargon which is used on a daily basis in relation to all aspects of the money business. This resource will also give guidance to management and staff who work in the financial services sector, money advisers, the Government, regulators and utility companies in explaining phrases used by them.

Financial decisions are among the most important that are made by people during their lifetime and it is our collective responsibility to provide better tools to assist people in making those decisions. We hope you enjoy and learn from this book.

# Aa

## Accidental damage

Damage to a person's possessions by accident, such as spilling paint on a carpet, that is covered by some home insurance policies

## Account

A record of spending and income, provided by a bank, post office or building society

## Accounting date

The last date of the period covered by an organisation's annual accounts

## Accumulation date

The date when income is reinvested in a unit trust, instead of being paid out to investors

## Accumulation unit

A type of unit of income that a company reinvests in a unit trust instead of paying it out immediately to investors

## Accurate figure

An exact reading from a meter to record how much gas or electricity a person has used

## Actuary

An expert on pension scheme assets and debts, life expectancy and risk for insurance purposes

## Acquisition

The buying of one company by another; also known as a takeover

## Administration fee

An amount you pay for the time it takes staff to make changes to your financial product or service

## AVC

Additional Voluntary Contribution – extra money that people in work related pension schemes can pay to increase their pension benefits

## Affinity card

A credit card that allows a person to support an organisation such as a charity; every time a person uses the card to buy something, the credit card company makes a small donation to the organisation

## After tax

An amount of money that a person is left with after they have paid tax

## Agent

A person who deals with a range of suppliers from which it can issue a recommendation to a client

## All risks

A home insurance policy that covers a person's possessions even if they take them outside their home

## Allocation rate

A percentage of a person's money that has been invested in a fund; the remainder is spent on charges

## Annual

Every year

## Annual cover

An insurance policy that a person must renew every year, such as health or car insurance

## Annual management charge

A charge or fee that a person must pay each year to the manager of an insurance policy, investment or pension fund, based on the value of a person's fund

## Annual service

A check made once a year on a piece of equipment to make sure it is working properly

## Annuity

A regular amount paid out to somebody from an investment that is linked to a managed fund

## Applicant

A person who applies for something

## APR

Annual Percentage Rate – a percentage to show the amount of interest and other fees a person pays each year to receive a loan

## ARF

Approved Retirement Fund – an investment plan that self-employed people, directors of family firms and certain other people can buy with the proceeds of their pension plan when they retire, which they can allow to grow or can cash in from time to time to provide an income

## Arrangement fee

A fee that a bank or building society charges a customer for arranging a loan

## Arrears

An overdue amount that has not been paid

## Articles of association

A company's document that sets out the

shareholders' rights and the directors' powers

## Asset

Something owned

## Asset management

A service from a financial adviser to spread a person's investment between a number of assets, such as shares, Government bonds, cash and property, so that they can potentially earn more money

## Asset management

Insurance cover for an event that will definitely happen, such as death, rather than an event that might happen, such as fire or theft

## ATM

Automated teller machine – a computerised machine that allows bank customers to get information on their bank account, withdraw money or sometimes top up their phone in a public place, without dealing with another person

## Audit

An independent examination of an organisation's records and accounts to make sure that they show a fair, accurate and legal reflection of the financial position of the company at the accounting date

## Auditor's report

A report by an independent person or firm on an organisation's financial records

## Authorised share capital

The highest amount of share capital that a company can issue, as set out by the company's memorandum of association

## Available credit

The difference between a person's credit limit and the amount of money they have already borrowed or spent on their credit card

## Bb

## Balance

An amount of money, shown on a person's statement, that they have in their account or that they owe at any time

## Balance brought forward

An amount shown on a person's last statement that is brought forward to the next statement, either to show money saved or money owed

## Balance transfer

An amount a person owes on one credit or store card that they can switch to another credit card

## Balance sheet

A summary of a company's assets (what a company owns) and liabilities (debts a company owes) at a point in time

## Balloon payment

A higher than normal final payment for a loan in return for lower regular repayments

## Bank

An organisation that invests and lends money

## Bank identifier code

A bank's unique code, which is used when transferring money between banks, especially in different countries, and when exchanging messages; sometimes found on account statements

## Bankrupt

A situation of not having enough money to pay debts, declared by a court order

## Bankruptcy

A type of order issued by a court when a person cannot pay their debts when they are due, which allows the person's property to be sold to raise money to pay their creditors

## Barter

A way of paying for things by exchanging goods and services instead of money

## Basic bank account

A service from a bank or building society that only lets a person spend what they have in their account so there is no risk of becoming overdrawn and running up overdraft charges

## Bear

Someone who sells shares now, expecting the share price to fall in the future so they can buy the shares back later at a lower price

## Benefactor

A person who gives a gift, for example in a will

## Beneficiary

A person who receives a gift

## Benefit statement

A statement, usually issued once a year, of the value of a person's occupational pension

## Benefit-in-kind

A 'perk' of a job, such as a company car, gym membership or health insurance, that a company gives to its employees or directors and that may be subject to tax

## Bequest

Something, usually property, given in a will

## BIC

Bank Identifier Code – a unique address which, in telecommunication messages, identifies precisely the financial institutions involved in financial transactions

## Bid/offer spread

An initial investment charge that refers to the difference between the buying and selling price of a unit on the stock market on any given day

## Bid price

The price that an investor in a unit trust can get for each

unit if they cash them in

## Bond

A written promise made by governments and companies to repay any money borrowed, with interest, on a certain date in the future

## Bonus issue

An offer of free shares to a company's shareholders, related to the number of shares they already have

## Book value

The value of a fixed asset, such as a building or machine, after depreciation, as recorded in an organisation's accounts

## Books of account

Books that a business must keep to record its financial transactions accurately

## Booking fee

An amount a person pays to book something, for example a concert or plane ticket, to cover a company's administrative costs

## Borrow

Get money that will be paid back

## Bounced cheque

A cheque that the bank refuses to pay out because the person who wrote the cheque does not have enough money in their account to pay for it

## Breach of contract

An act that breaks a legal duty agreed in a contract

## Break even

A point at which a company earns as much money as it is spending; with no profit or loss, it 'breaks even'

## Bridging loan

A loan given by a lending institution to 'bridge' a time difference between buying a new home and selling the existing home

## Brokerage

Commission earned by a broker or a broker's business

## Budget

A plan of spending over a certain length of time, based on how much money a person has

## Budget deficit

A gap that occurs when a body, often a government, plans to spend more money than it takes in

## Building society

An organisation owned by its members, who are some or all of the customers saving with or borrowing from the society

## Buildings insurance

An insurance policy that pays out if a person's home is damaged, for example if tiles fall off a roof during a storm

## Bull

Someone who buys shares now, expecting that their value will rise in the future so that they can sell the shares for a profit at a later date

## Bureau de change

A place that changes all major foreign currencies, in cash or in travellers' cheques, for a fee known as a commission

## Cc

## Calendar month

A period of time that starts on the first day of the month and ends on the last day, as opposed to starting in the middle of one month and ending in the middle of the next

## Cancellation rights

A person's or company's right to cancel a contract

## Capital

An amount of money a person saves, invests or borrows, before interest or loss

## Capital charge

A charge that a unit trust manager takes out of the fund's capital rather

than out of the income it has generated

## Capital expenditure

Money a business spends on buying or improving its fixed assets, such as equipment or furniture

## Capital gain

Money a business or person makes if it sells a long-term asset, such as a building, for more than it cost

## Capital gains tax

A tax on gifts over a certain value or on a capital gain.

## Capital guarantee

An investment that guarantees that, at the end of the agreed term, a person will get back at least the amount they invested

## Capped charge

The most that a pension provider can charge a person for managing their pension, usually a percentage of the value of a person's fund

## Car insurance

Insurance that a person needs before driving a vehicle, which, depending on the type of insurance, pays them a certain amount if their car is stolen and pays a sum towards repairs if the car is damaged due to an accident or fire

## Cash advance

A cash withdrawal using a credit card, for which a person may pay a fee as well as interest

## Cashback

A service with a debit card that allows a person to get money straight from their account when a shop assistant swipes their card to pay for goods and services

## Cashcard

Also known as an ATM card – a plastic card that a person can use only at cash machines with a personal identification number (PIN) to withdraw cash, check

their balance or print out a mini-statement

## Cash inflow

The amount of money coming into a business

## Cash outflow

The amount of money leaving a business

## Cashflow

A record of all the money coming in minus all the payments as they are made, measured over a particular time

## Caveat emptor

A Latin term, 'buyer beware', to warn people to understand the meaning of a sales contract before agreeing to it

## Celtic Tiger

A term used to describe the period of rapid economic growth in Ireland

## Certificate of insurance

A document that proves that a person is insured

## Charges

Fees and interest that a person must pay, for example when they borrow money or buy on credit

## Charge card

A type of credit card often issued by a store to its customers so that they can buy goods from the store on credit

## Chargeable asset

An asset on which a person may need to pay capital gains tax if they sell or dispose of it

## Cheque

A written order, addressed to a bank, instructing the bank to pay an amount of money to the person or organisation named on the cheque

## Cheque guarantee card

A plastic card from a bank or building society that guarantees that the amount

of money on a cheque (up to a certain limit) will be paid whether or not there is enough money in the account

## \*Child dependant

A child up to age 18 who normally lives with and is being supported by an adult, or a child up to the age of 22 who is in full-time education by day at a recognised school, college or university

## \*Child Dependant Increase

An additional amount paid to a person receiving certain social welfare payments to cover the cost of supporting a child dependant

## Cirrus

A brand of an international debit card network, run by the MasterCard organisation, that lets a person access their money at ATM machines abroad

## Claim

An action to get compensation based on an existing insurance policy

## Clearing

The time it takes for a bank or building society to transfer money from one account to another, say when a person lodges a cheque

## Collateral

An asset offered to or needed by a lender as security for a loan, such as a house for a mortgage

## Commission

A small fee charged as a percentage of the value of goods or services for example, for foreign exchange

## Company pension scheme

Like an occupational pension scheme, a pension scheme organised by a company to provide pension benefits for

its employees

## Compensation

An amount of money paid to make up for an injury, damage or loss

## Compound annual return (CAR)

The interest rate if interest on savings is added to savings and paid at the end of each year

## Comprehensive motor insurance

Motor insurance that covers a person for damage to their car, resulting from any accidents, theft and fire

## Consumer

A person who buys a good or service

## CPI

Consumer price index – a measure of the average price of goods and services bought by households

## Contents insurance

Insurance that covers damage to and theft of a person's possessions in their home

## Contract

An agreement between two or more parties, which is usually written and is binding on everyone concerned

## Contract of service

A contract usually agreed between an employee and their employer

## Contract for service

A contract usually agreed between an organisation and another organisation or self-employed person, such as a consultant or a contractor

## \*Contributory payment

Known as social insurance, a social welfare payment that depends on the number of pay-related social insurance (PRSI) contributions a person has made in a certain period; examples include

Unemployment Benefit and Maternity Benefit

## Conversion rate

Also known as the exchange rate – a changing rate at which a person can change one currency for another, for example €1 for \$1.20

## Conveyance

A legal term to describe selling or giving property to another person or group

## Cooling-off period

A period after a person signs a contract, but before the contract becomes binding, in which the person can change their mind about the contract without any penalty

## Counterfeit

Something that a person forges or copies with the aim of deceiving another person



## Coupon

A piece of paper that allows a person to get a product for a lower price up to a certain date

## Cover

The protection offered by an insurance policy, involving payment for any event or accident in relation to a person's home, car or health

## Credit

Money that a bank, building society or a credit card company has lent a person to buy goods or services

## Credit agreement

A document that records the conditions on which a person receives credit

## Credit card

A plastic card that lets a person buy something 'on credit' and pay for it later

## Credit card bill

A detailed statement each month of what a person has bought with their credit card

and how much they need to pay back to their credit card company

## Credit crunch

A sudden drop in the general availability of loans or a sudden increase in the cost of borrowing from banks; also known as a credit squeeze

## Credit history

A history of how well a person has been able to repay debt; a poor credit history means that they may find it difficult to take out a loan

## Credit limit

The highest amount a store card or credit card company will lend a person at any time

## Credit outstanding

The amount of credit a person has not yet paid back

## Credit rating

A score of a person's ability to repay debt such as loans and credit card bills

## Credit reference agency

An organisation that holds information about a person and their past record of paying back their debts, to which lenders may refer before they agree to give a loan

## Credit risk

The risk that a person might not repay a loan or credit

## Credit scoring

A system used by a lender to give a score to a potential borrower depending on the answers they give to a series of questions; the higher the score the lower the risk that the person will not repay their loan

## Credit transfer

A way of automatically moving money from one bank account to another

## Credit union

A non-profit organisation that provides loans to its

members and encourages savings

## Credited

A term to describe a person's account when money has been paid into it

## Creditor

A person or company who is owed money

## \*Credits

PRSI contributions that are recorded for a person when they are absent from work due to illness and cannot pay their own PRSI; they help keep a person's social insurance record up to-date to help them get social welfare payments and benefits in the future

## Critical illness insurance

Insurance that pays a lump sum, covers a person's mortgage or makes regular payments if a person cannot work due to a serious illness

## Currency

The type of money used in a particular country, for example the euro or the dollar

## Current account

A bank or building society account that lets a person keep their money secure, but still write cheques and use an ATM card to get money

## Current assets

Short-term assets, such as bank balances and stocks, that constantly change in value

## Current liabilities

Short-term debts that a business must pay within a year, such as bank overdrafts, money owed to suppliers and employees' income tax

## Customer

Someone who pays for goods or services

# Dd

## Data Protection Act

A law that protects a person's personal information and prevents companies from sharing it with other companies without the person's knowledge

## Debenture

A document issued by a company, usually to a bank or building society, that acknowledges that some or all of the company's assets are security for a debt

## Debit

A payment from an account or the cost of buying goods or services

## Debited

The result of money being taken out from an account

## Debit card

A plastic card that can be used instead of cash to pay for goods and services, or

to withdraw money from an ATM

## Debt

Money owed to another person or to a company

## Debt consolidation

Taking out a single loan to pay off a number of smaller, individual loans

## Debtor

A person who owes money

## Declining term policy

A policy that protects a person's mortgage payments and ends as soon as they have paid off their mortgage

## Deeds

Documents that confirm that a person owns a particular property, usually given as security for mortgages

## Default

A failure to pay a debt on time

## Defined contribution pension scheme

A type of pension scheme to which a person makes payments each month and that pays out an amount related to how much the person has invested and how well the fund has performed

## Delete as applicable

Cross out anything that does not apply

## Demutualise

Converting a building society from an organisation owned by its members or customers (known as a 'mutual') to a profit-making company that distributes profits to its shareholders

## Dependant

Somebody who depends on another person for financial support, such as a child or an elderly relative

## Deposit

Initial amount of money that a person pays to get something, for example a house or an electrical appliance bought through hire purchase

## Deposit account

A type of savings account which pays interest without an ATM card or a cheque book

## DIRT

Deposit Interest Retention Tax – a tax paid by a bank or building society on the interest a person gets from saving. The bank deducts it from the interest earned on behalf of the customer

## Deposit rate

The rate of interest that customers can earn on money they keep in a bank or building society deposit account

## Depreciation

The drop in value of an asset

due to wear and tear, age and whether it is going out of date, as recorded in an organisation's financial records

## Depression

In economic terms, a severe and long-term downturn in the economy that is marked by high unemployment, lower wages, less production and general reluctance to spend

## Direct debit

A method of paying bills regularly, by giving permission to a company or organisation to take money straight from a bank or building society account on a date specified by the company or organisation

## \*Direct payment

A secure and confidential method of lodging payment (for example a social welfare payment) directly into a person's bank or building society account or to a

savings' account with another financial institution, using electronic fund transfer (EFT)

## Discount

Money that is taken off the price of something

## Discounted rate mortgage

A type of mortgage, usually offered to new customers, in which the interest rate is reduced for a fixed period of time

## Disposable income

Income available after a person pays tax, loans and buys basic goods and services

## Dissolve

Formally breaking up an organisation or institution

## Dissolution

The act of formally breaking up an organisation or institution

## Divest

Selling off, usually in relation to the parts of a company that are not performing well or no longer fit in with the company's wider plans

## Dividend

Money that a company pays to its shareholders from its profits

## Dormant account

An account that is no longer used

## Drawee

The person (or bank) who is expected to pay a cheque or draft when it is presented for payment

## Drawer

The person or organisation that has written a cheque

## Duress

A threat or pressure put on somebody to do something

## Duty

A tax charged by the government

## Ee

### Earnings cap

A limit on the contributions that can be paid into and the benefits that can be paid out by tax-approved pension schemes

### ECB

European Central Bank – the bank created to manage policies for the countries that have converted to the euro

### Electronic banking

A term describing different ways to manage money without talking to a person, for example by using an ATM card, the Internet and the telephone

### Endorsement

Writing on a document, for example the signature on a cheque

### Endowment

A transfer of money or property to a charity for a specific purpose

### Endowment policy

A savings plan that pays out a lump sum on a certain date in the future or when a person dies, whichever happens sooner, and is usually used to pay off a large loan, such as a mortgage

### Equity

The difference between the value of a person's property and the amount of mortgage they still have to pay

### Estate

A person's assets, including money, when they die

### Estimate

A guide to the cost of a good or service, such as electricity

### Ethical investment

An investment in desirable activities, such as those that might benefit the environment or help disadvantaged communities

### Ethical investment policy

A plan to make sure that money is invested in desirable activities

### Euro

Official currency of Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain (as at January 2009)

### Excess

The first sum of money that an insured person must pay for any loss, damage or injury before an insurance company will make any payments

### Exchange rate

A changing rate at which a person can change one country's currency for another's, for example €1 for \$1.20

### Exclusion

An item, event or health condition, for example,

that is not covered by an insurance policy

### Executor

A person who carries out the instructions in a will

### Exempt

Free from a duty or condition

### Exit charge

A charge that a person pays if they cash in an investment before its end date or before it matures

### Expenditure

Money that a person spends

### Expiry date

The last date a person can use something, such as a credit card

## Ff

### Fat cat

A wealthy person

### Fee

A sum of money a person pays for a service, such as getting a loan or taking out an insurance policy

## Final demand

The last demand for payment before a company cuts off a service or begins legal action

## Final dividend

The amount of payment to shareholders declared by directors of a company when the company has drafted its annual accounts

## Finance company

A company, used by most shops, that makes money by lending to people who want to buy goods on credit

## Financial adviser

Somebody who studies a person's earnings, savings and spending and gives advice on how to manage or invest their money

## Financial services provider

All firms that sell financial products. This includes banks and building societies, insurance companies, credit unions, brokers and stockbrokers

## Financial situation

A term to describe a person's income and spending, including any loans and any savings they have for the future

## Financial statement

A company's statement that includes the annual accounts, directors' report and so on

## Financial year

The year covered by a set of annual financial statements

## Fiscal

Term to describe finances controlled by the government

## Fixed asset

An asset that a business intends to use for several years, such as buildings and equipment

## Fixed interest rate

An interest rate that stays the same for a fixed time, no matter how other interest rates may go up or down

## Fixed-rate mortgage

A type of mortgage for which a person pays a set amount of interest, so no matter how interest rates go up or down, the same monthly repayment is made

## Fixed-interest bond

A type of investment that pays a set amount of money, no matter how interest rates go up or down

## Flotation

A company's decision to allow anyone to buy and sell its shares through the stock exchange

## Floating charge

A security created by a company over its changing assets, such as stock and unpaid sums from debtors, in return for a loan; if the company does not make the repayments when they are due, the assets are used to pay it

## Floating exchange rates

Exchange rates between currencies that go up and down in line with supply and demand

## Forfeit

A penalty for a fault or mistake that involves losing or giving up something

## Fund

Money set aside for some purpose

## Gg

## GDP

Gross Domestic Product – the value of all goods and services produced and sold inside one country

## Goodwill

An intangible business asset based on a company's reputation from the confidence of repeat customers and connections

## GNP

Gross National Product – the value of goods and services produced by a country, including those sold abroad

## Gross

The total amount, before fees or taxes are taken off

## Gross interest

The total interest on savings before any tax is taken off

## Gross pay

Total pay before income tax, PRSI or pension payments are taken off

## Gross profit

Total profit made from selling goods and services after the cost of producing them

## Guarantee

A contract to pay someone's debt if they don't pay it

## Guaranteed interest rate

An interest rate that a person can be sure they will receive on particular savings

## Guarantor

A person who agrees to pay the loan if the person who received the loan fails to pay

## Hh

## Hedge fund

A private investment fund that is open to a limited range of very wealthy investors and is allowed to make more risky and short-term investments than other funds to earn as much as possible

## Health insurance

A form of insurance that pays for medical expenses

## Hire purchase

A way to buy goods that involves getting them straight away but making regular payments for them over a fixed period of time

## Home insurance

A type of insurance that covers either the property or its contents from theft, fire, flooding or other damage

## Honouring a cheque

Paying out the amount stated on a cheque, as long as there is enough money to cover it in a person's account

## Honouring an agreement

Sticking to both sides of an agreement

## Ii

## IBAN

International Bank Account Number - an international standard for identifying bank accounts across national borders

## Identity

Who a person is, shown by documents such as their passport, driving licence or birth certificate

## Illustrations

In financial terms, an estimate of the value of a person's savings and investments at some point in the future, based on

certain conditions

## IMF

International Monetary Fund – an international organisation that oversees the global financial system to keep international currencies stable and offers temporary loans to developing countries

## Indemnity

A promise to compensate someone else for loss or damage or protection from legal responsibility from a person's actions

## In credit

A situation where money is available in an account

## Income

Money coming in, such as wages and social welfare payments

## Income tax

A tax on personal or business income

## Indemnify

Protect or insure somebody against being sued for their actions

## Indemnity bond

Insurance requested by a mortgage lender if a person doesn't pay their mortgage on time, to cover the difference between what the person owes and what their house is worth

## Independent agent

Somebody who deals with the widest possible range of suppliers from which it can make recommendations to a client

## Independent financial adviser

Somebody who advises on life insurance, pensions and investments, who is not employed by a particular company selling such services

## Indexation

A way of changing the value of savings and the cost of

goods and services to allow for the effects of inflation

## Index-linking

Linking the value of a financial product, such as a pension, to the Consumer Price Index so that the value of the fund keeps up with inflation

## Inflation

An increase in prices, which decreases the purchasing power of money

## Insolvent

A person's or organisation's position when they cannot pay debts when they are due for repayment

## Instalment

A regular repayment for goods bought on credit or to pay back a loan

## Instant access

Ability to get money straightaway without having to give notice to a bank or building society

## Insurance

A contract between a person and a company to buy a plan that covers them against loss or damage, for example to a car, a home or their health

## Insurance broker

A self-employed person who can offer their client insurance policies of five or more insurance companies

## Insurance company

Company that provides insurance policies

## Insurance cover

Protection against certain events as outlined in an insurance contract

## Insurance policy

A document of the contract made by an insurance company with a person whose property or health is insured

## Insurance premium

Money a person pays regularly to an insurance

company to make sure they are covered

## Insurance quotation

The price given by an insurance company for protecting against particular loss or damage

## Intangible assets

Assets that cannot be touched, such as goodwill and patent rights

## Interest

A fee a person receives if they save money, or pay if they borrow money, usually expressed as a percentage of the savings or the loan

## Interest rate

The percentage that a person receives on their savings or pays on their loan

## Interest-free credit

A loan, whether from a lending agency or a credit card company, on which a person pays no interest for a fixed period

## Interest-only mortgage

A mortgage where a person only pays back the interest to the bank or building society for a period of time

## Interim dividend

A dividend that is paid to shareholders during the financial year, depending on the company's profits

## Intermediary

Someone who links potential clients to financial services providers to advise them about their insurance needs and help them to choose the most appropriate policy

## Investment broker

Somebody who acts as the link between a person and an investment company and advises them how to invest their money and where

## Investment portfolio

A collection of a person's savings, such as shares, bonds, property and cash

## Investment trust

A company that is quoted on the stock exchange and invests in other companies

## Issued share capital

Shares that a company has given to its shareholders, which equal some of the value of the company

## Jj

### Joint account

A bank account held by more than one person, usually by a married couple or by partners who live at the same address

### Junk bond

A stock that is issued by a company with a poor financial record to help it repay its debts and that carries a higher risk than other bonds but offers higher returns

## Ll

### Land Registry

A central list of the owners of land and buildings

### Laser card

The primary debit card system used in the Republic of Ireland.

### Legacy

Money or property left in a will

### Legal action

An action that can involve solicitors and possibly court proceedings to make sure a person upholds a contract or to punish them if they don't

### Legal status

A reference to whether a person is an Irish citizen or has a right to work in Ireland

### Levy

Obtaining money through a legal process; by sale of property or through taxation

## Liabilities

Debts that a person or organisation owes

### Lien

A right to keep something owned by someone who owes a debt, until the person has repaid the debt

### Life insurance

Insurance that pays out a lump sum to a person's family if they die, usually taken out when a person obtains a mortgage so that the remaining mortgage repayments are covered

### Limited company

A company that limits how much its shareholders will have to pay if the company is wound up

### Limited liability

A statement of the maximum amount a company's shareholders would have to pay if the company was wound up



## Liquidity

The ability to convert an asset to cash easily and quickly with little or no loss of value

## Liquidation

A situation that arises when a company is wound up because it is unable to pay its debts and has its assets sold for cash

## Loan agreement

A document that describes the conditions of a person's loan

## Loan shark

A person who lends money and charges a very high rate of interest and does not hold a licence to lend money

## LTV

Loan to value – a percentage that represents the amount of a loan compared to the value of a house

## Loading

A charge that is added to the cost of insurance

because of a specific factor, such as the age of a driver or if a person is a smoker

## Lodgement slip

A form that a person must fill in when they pay money into their account, when paying by cash or cheque

## Loyalty card

A card offered by supermarkets, shops and cafes to encourage people to shop there, by offering 'points' with each purchase or free goods after spending a certain amount of money

## Lump sum

A once-off payment that a person may receive from an investment, such as a pension, or from an insurance policy, for example if they have a serious accident and cannot work

# Mm

## Maintenance

Maintenance is the payment of regular financial support to a partner or previous partner for living expenses and/or child care

## Managed fund

A fund made up of investments in shares, bonds or cash from which investors receive 'units' related to their investment

## Management expenses

Internal expenses of an insurer to obtain and service insurance business, usually partly passed to a policyholder

## Mandate

An instruction by a customer to a bank to operate the customer's account a certain way

## Market capitalisation

The value of a company when the number of its

issued ordinary shares is multiplied by their market price

## MasterCard

An international card payments organisation owned by banks worldwide, which provides credit cards

## Maturity

A situation that arises when an investment, such as a term deposit, or a life insurance policy comes to an end

## Maximum withdrawal

A limit on the amount of money a person can withdraw from an ATM machine each day, depending on the amount of money in their account

## \*Means

Any savings or income or any property that would bring in money

### \*Means test

A way of working out the value of a person's means by reference to the value of their investments and property and to any money in a savings account or current account and any cash-in-hand

### Memorandum

A document containing details of a company's name, purposes, share capital and how much the shareholders would need to pay if the company is wound up

### Minimum payment

The lowest amount that a credit or store card company will allow a person to repay each month to clear their debt

### Monthly instalment

A payment each month, usually to pay back a loan

### Mortgage

A loan to buy a property; if it is not paid back, the lending agency can take over the property

### Mortgage adviser

A person who advises others on the best type of mortgage to choose

### Mortgage broker

Somebody who assesses a person's mortgage needs, then finds and advises on a suitable mortgage lender

### Mortgage arrears

Mortgage payments that a person owes after they are due

### Mortgage protection

An insurance policy required for mortgage-holders under 50 to ensure that the mortgage will be paid off in full if a person dies

### Mortgage repayment

A monthly payment to repay a loan for a property

### Mortgage statement

A report that details payments, charges and the remaining balance of a mortgage

### Multi-trip cover

A type of travel insurance that covers a number of trips abroad during a certain period, usually a year

### Mutual organisation

A membership organisation, such as a building society, that is owned by its depositors and loan account holders

## Nn

### Negative equity

A situation where the amount that a person owes on their mortgage is higher than the value of their property

### Negotiable instrument

A document that a person signs to give an instruction to pay an amount of money to another person or organisation

### Net

An amount that is left after

other amounts have been deducted

### Net book value

The value of an asset, as recorded in the books of account, after depreciation for wear and tear

### Net income

A person's income each week, month or year after tax, PRSI, union subscriptions or pensions have been deducted

### Net interest

Interest from which tax has already been deducted

### Net of tax

An amount left after tax has been deducted

### Net profit

The amount of money belonging to a company after deducting operating costs such as salaries, rent and electricity bills

## No claims bonus

A reduction in an insurance premium, usually expressed as a percentage of the total premium, that occurs if a person doesn't claim on their insurance policy over a period of time

## \*Non-contributory payment

Known as social assistance, a social welfare payment that is based on a person's means, verified during a means test; examples include Unemployment Assistance and One-Parent Family Payment

## Non-priority debt

A less important debt, for which a lender may take a person to court to get reasonable repayments but cannot take other action such as cutting off a service or taking over their home

## Non-profit making body

An organisation, usually a charity or public sector agency, that does not set out to make a profit

## Notice

A period of time between a person telling a bank or building society that they would like to take out money and being able to take it out

## Oo

### Occupation

A person's job, work or profession, such as a bricklayer, checkout operator or teacher

### Offer price

The price a person pays for each unit when investing in unit trusts

### Official use only

Parts of a form that a person applying for something need not fill in

## Ombudsman

A person who provides a free and independent service for resolving disputes with financial services companies

## 'Open driving'

Motor insurance that allows anybody over a certain age to drive a person's car

## Operating profit

The profit from a company's main trading activity

## Outstanding instalment

A repayment that has not yet been made

## Overdraft

A facility from a bank or building society that lets a person access more money than they have in their account, for a charge

## Overdue

Something that a person does not pay when it is due or

something that should have occurred earlier but has not

## Overheads

The costs of running a business, such as rent, heat and light, advertising and salaries

## Pp

### P45

A document that an employee receives when they leave a job, showing their total pay up to the date they leave as well as the tax and PRSI that their employer has deducted

### P60

A document that an employee receives at the end of every year, which shows their salary for the past year and the tax and PRSI that their employer has deducted; needed if a person wants to apply for certain social welfare payments

## Paid-up share capital

The money that shareholders have paid for the shares a company has given them

## PAYE

Pay As You Earn – tax paid when an employer deducts tax from their employee every time they pay them

## Payee

The person who receives a payment

## Payment protection plan (policy)

A plan that makes loan repayments if a person's income drops because of unemployment or sickness

## Payment received

A sum of money that a credit card company or lending agency has received, which is shown on a person's statement

## Penalty

A punishment for not obeying a law or rule or

not sticking to the terms of a contract; might involve extra charges or interest

## Penalty-free transfer

An option to transfer savings, such as a pension, to another scheme or different provider without having to pay any charges

## Pension

An income a person receives from the State or a private company, or both, after they retire; if a person has their own private pension, they cannot use any of their pension fund until they reach a minimum age, usually 50

## Pension calculation table

A table that shows the level of pension a person can expect when they retire

## Pension contribution

A payment, usually every month or every three months, into a pension scheme

## Pension benefits

Payments and lump sums that a person receives from their private pension

## Pensionable age

The age a person must reach to be entitled to claim their state pension

## Pension deduction

An amount that an employer takes straight from an employee's pay and uses to pay into a pension plan, shown on an employee's pay slip

## Pension fund

A fund to pay employees' pensions

## Pension mortgage

A mortgage that will be repaid out of the lump sum from a pension

## Pension provider

A company that provides pensions

## Per annum

Each year

## Percentage point

The difference between two percentages, for example a quarter or half of a percentage point in the case of changing ECB interest rates

## Personal allowance

The amount of income on which a person does not pay tax, depending on their age and whether they are married or have children

## Personal loan

A loan taken out by a person to pay for anything they want

## Personal pension

A pension plan, not tied to a particular employment, that a person can keep going even if they change job

## Pet insurance

An insurance policy that covers the cost of vets' bills

## PIN

Personal Identification Number – a four-digit number that a person must keep secret and use to get money with an ATM card at an ATM machine

## Policy

A plan, for savings or insurance, which a person usually receives as a written document

## Post-dated cheque

A cheque on which a future date is written; the cheque can only be cashed on or after this date

## PPS Number

Personal Public Service Number – a unique reference number for each person in the State that identifies the person for all matters related to tax, social insurance and social welfare benefits

## Premium

Like a payment, an amount that a person must pay

regularly for insurance or pension

## Priority debt

A debt that is more important than others, such as a mortgage or an overdue electricity bill, that entitles certain lenders and companies to take serious action if the debt is not paid on time, for example, taking over the property or cutting off the service

## Probate

A legal process that involves managing and distributing the estate of a deceased person, as left in a will

## Profit and loss account

An account that shows the money a business has earned from selling goods and services after it has paid its own expenses

## Profit and loss statement

A statement of how much money a business makes and how much it might lose over a fixed period

## Promissory note

A written promise to pay an amount of money to someone at a given time or on demand

## Prospectus

A document from a public company that wishes to sell shares to the public, giving details of the company's past performance and its plans for the future

## PRSA

Personal Retirement Savings Account – a savings account that a person pays into each month straight from their salary to build up their pension; if an employer does not already offer an occupational pension, they must allow their employees set up their own PRSA

## PRSI

Pay Related Social Insurance – a payment from employers and most employees, depending on their earnings and type of work, that pays

for certain social welfare payments and benefits

## Public liability

A type of insurance cover to protect people and businesses from claims made against them by members of the public

## PLC

Public limited company – a company, quoted on the stock market, whose shareholders only have to pay a certain amount if the company is wound up

## Purchasing power

The ability of a person's money to buy goods and services, affected by the cost of those goods and services

## Qq

### \*Qualified adult

A spouse or partner of a person applying for a social welfare payment or, if the person is widowed, separated or divorced, a person aged 16 or over who is living with them, caring for any children and being supported by them

### Quarterly statement

A statement that a person receives every three months (for one quarter of the year)

### Quotation

An estimate of costs

## Rr

### Rate relief

A reduction on all or part of a business' bills for utilities such as gas or electricity

### Rebate

A return of part of an

amount a person has paid, usually in relation to tax

### Recapitalise

Funding a business so that it can continue its activities and expand

### Receipt

A document to confirm that money has been received, usually for goods and services

### Receivership

A form of bankruptcy in which a company's assets are taken over by a 'receiver', usually an accountant or other trustee appointed by a court, so that the company can repay its debts

### Recession

A major fall in economic activity in a country, such as investing, creating jobs or buying goods and services, over an extended period of time

### Redemption

Paying off all the money borrowed under an agreement

### Refer to drawer

A statement written by a bank on a cheque that it will not pay, for example if there is not enough money in a person's account, before returning it to the branch of the bank with the account the cheque was paid in to

### Refund

A repayment of part of an amount that a person has paid

### Reinsurance

Insurance protection bought by an insurer to cover it against paying out a lot of money to policyholders and to help it take on more business

### Remittance

A payment for something

### Repayment

An amount due to be paid on money borrowed

### Repayment protection insurance

Like a payment protection plan, a policy that makes repayments if a person cannot afford them, for example if they become ill or lose their job

### Repossess

Take back ownership of something, for example when a mortgage provider takes over a person's home because they have failed to pay back the mortgage on time

### Reserves

Amounts that a company sets aside in one year's accounts that it can spend in later years

### Retained profits

Profits earned by a business that have not yet been spent

## Retirement mortgage

A mortgage that allows a person to draw down some cash for their retirement based on the home's value and that the person pays off with interest when the house is sold

## Return

An amount, expressed as interest, that a person gets back when they invest or save money

## Revolving credit

Credit that is carried over from one billing period to the next when a person does not make the full credit card repayment when it is due

## Rights issue

An issue of extra shares to a company's shareholders at a discount, based on the number of shares they already hold; shareholders can sell the rights if they do not wish to use them

## Risk

Chance or uncertainty associated with offering

loans and with certain investments

# SS

## Savings account

An account in a bank, building society or post office, that allows a person to build up savings and interest. A person cannot usually access this account everyday

## Schedule of payments

A list of payment amounts and the dates they are due

## Securities

Stocks, shares, debentures and so on that involve a right to receive interest or dividends from the investment

## Security

Something of value that one person or organisation promises to allow a lender to sell to pay off any debt that the borrower cannot repay when repayments are due

## Secured loan

A loan that is borrowed against a particular asset, known as security; if a person cannot make the repayments when they are due, the lender can take ownership of the asset

## Self-assessment

A system for taxpayers to work out for themselves the tax they owe to the government each year

## Service contract

A contract for maintenance services

## Share

An investment that makes a person part-owner of a public company, along with all other people who have shares

## Share capital

Money invested directly in a company by its shareholders

## Share certificate

A document that certifies who owns shares in a company by listing the type, amount and serial numbers of shares owned by the shareholder

## Share price

The cost of buying a share on the stock market; the more shares are bought, the higher the price

## Shareholder

A person who owns a share or shares in a company

## Short term

A period of time of up to five years in terms of savings and loans

## Signatory

A person who signs a document, such as an application form or cheque

## Single Trip Cover

A type of travel insurance that covers a single trip abroad

## \*Social insurance

A government insurance plan that compensates people for loss of income due to old age, unemployment, disability, illness or maternity, for example, and that is funded through PRSI contributions

## Solvency

The ability to pay debts from available money

## Sort code

A six-figure code that identifies a person's bank branch and is printed on bank statements

## Spot rate

The exchange rate for foreign exchange transactions that are carried out straightaway

## Stakeholder pension

A type of pension scheme with low charges and flexible payments

## Stamp duty

A tax some people may pay when they buy property, based on the value of the property

## Standard Variable Rate (SVR)

A mortgage rate which can rise and fall in line with the interest rate changes set by the European Central Bank (ECB)

## Standing order

A method of paying fixed amounts on a regular basis, for example into a pension fund, by allowing a company or other organisation to take money straight from a person's bank or building society account, depending on how much the person has in their account

## State retirement pension

A pension a person gets from the State when they retire

## Statement

A document from a bank or building society that shows recent payments into and from a person's account

## Statutory accounts

Company accounts that must be filed with the Companies Registration Office by law

## Statutory audit

An audit, required by law, of a company's accounts by certain qualified accountants

## Stock exchange

A market for stocks and shares

## Stockbroker

Someone who buys and sells stocks and shares for clients

## Stock market

A place that trades stocks and shares

## Store card

A card available from a particular shop that lets a

person buy goods from that shop on credit; like a credit card, payments are due each month

## Sub-prime lending

Lending to people who are thought to be less likely than others to repay a loan, for example those with a limited or poor credit history or a recorded bankruptcy

## Subject to status

Something that depends on a person's situation, for example a loan that depends on whether a person has a good credit history

## Subscribers

People who set up a limited company

or who pay in advance to receive something regularly

## Subsidiary

A company that is controlled by another company



## Superannuation

A regular contribution to a pension scheme by an employee

## Surcharge

An extra charge by a bank if a customer does not keep to their agreement

## Surety

Similar to a guarantor, someone who takes responsibility for someone else's debts or promises, and guarantees that they will be paid or fulfilled

## Surrender value

The sum that an insurance company pays a policyholder when they cancel a life assurance policy before its date of maturity; this value is usually lower than the value of the policy when it matures

## SWIFT

Society for Worldwide Interbank Financial Telecommunication - currently provides secure

messaging and transaction services for over 7,000 financial organisations located in 194 countries worldwide

## Tt

### Take home pay

Earnings after tax, PRSI and other deductions

### Tangible assets

Assets that can be touched, such as equipment and furniture

### Tax avoidance

A legal way of reducing the amount of tax a person owes

### Tax code

A reference for different types of employees to tell how much income tax a person should pay in a certain period and how much of their pay is tax-free

### Tax credit

The amount of income on which a person does not pay tax, including their personal

allowance and tax relief for any mortgage or health insurance payments

### Tax evasion

An illegal way of reducing the amount of tax a person owes, for example by concealing income

### Tax return

A form that a self-employed person must fill in to record their income and any allowances for the year and send in to the Revenue Commissioners on time to avoid penalties and fines

### Tax this period

A statement on a pay slip to say how much income tax a person owes in a particular period, based on a person's tax code

### Tenant

A person who pays rent where they live

### Tender

A written offer by a company or person to do

a piece of work a certain way to a certain deadline and at a stated price

### Term

A clause that forms part of a contract and a length of time for which something lasts, such as the period for paying back a loan

### Term deposit

A type of account in which a person agrees to leave their savings for a fixed time (the term) or face penalties

### Term assurance

A simple form of life assurance that a person takes out for a set period of time (for example, 10, 20 or 25 years) and guarantees to pay out a specified sum if the person dies during that period of time

### Term loan

A loan that a person or organisation must repay within a certain period, for example three or five years

## Third party, fire and theft insurance

Motor insurance that pays out if a person accidentally causes damage to another person's car or if their own car is damaged by fire or stolen

## Tied agent

Somebody, usually a broker or financial adviser, who is tied to a certain financial services provider and can only recommend and sell their products or services.

## Timeshare

A way of owning property, usually a holiday home abroad, jointly with other people, each of whom takes turns to occupy the property for a fixed period

## Total deductions

A combination of all amounts, such as tax, pension payments, PRSI and union subscriptions, taken from a person's gross pay

## Toxic loan

A loan that is unlikely to be repaid to the lender, for example a sub-prime mortgage

## Tracker bond

A type of investment where the final value of the fund depends on the performance of shares and where a person's initial investment is usually guaranteed

## Tracker variable rate

A rate of interest that tracks the European Central Bank rate whether it goes up or down; the lender is obliged to pass on any changes to its customers

## Trader

Someone who buys and sells financial instruments such as stocks and shares

## Trading profit

Similar to gross profit, the profit from selling goods and services before accounting for expenses

## Transaction

Any payment into or out of a person's or company's account

## Travel insurance

Insurance that can pay for lost luggage or for medical treatment needed for certain illnesses and injuries when a person travels abroad

## Travellers' cheques

Cheques in a certain currency that a person buys and signs before they leave for another country and that they can use to buy goods and services abroad by signing the cheques again and showing identification

## Trust

A legal arrangement that transfers control over property to a person or organisation for the benefit of someone else

## Trustee

A person or organisation that controls property for the benefit of someone else

## Turnover

The total value of a business' sales over a particular period

# Uu

## Unauthorised overdraft charges

Fees that a person must pay if they take out more money than they have in their account without the permission of their bank or building society

## Uncleared cheque

A cheque that has been paid into an account, but for which money has not yet been collected from the bank that will pay the cheque

## Under-capitalised

A situation in which a business does not have enough money to support its activities and enable it to expand

## Underwriter

An organisation, usually an insurance company, that agrees to pay a claim on an insurance policy

## Underwriting

What happens when an investment firm, such as a bank, agrees to buy any unsold shares from a company after it has offered them to the public or what happens when assessing whether a person can afford a loan from a financial institution

## \*Universal payment

A social welfare payment or benefit that a person receives no matter how many PRSI contributions they have made or the level of their means; examples include Child Benefit and Free Travel

## Unit trust

A fund that a person invests in by buying units; their money is used by

a trust manager to buy investments and the value of the units changes in line with the value of the fund

## Unlimited company

A company that does not limit what its shareholders need to pay towards the company's debts if the company is wound up

## Unsecured loan

A loan that is not backed by a particular asset; if a person does not pay back the loan, the lender cannot take any asset in return, but may still take the person to court

## Unpaid item

An item such as a cheque, standing order or direct debit that a bank refuses to pay

## Unpresented cheque

A cheque that a person has given to another person, but has not yet appeared on the bank account that will pay it

## Unsanctioned overdraft

An overdraft that a customer of a bank or building society has obtained without the bank's permission

## Upfront fee

A fee that a person owes or must pay in advance

## Utility bill

A bill for a utility, such as gas, electricity or the telephone

## Vv

## Valuation point

The date and time when a fund manager revalues the investments in a fund, such as a unit trust

## Variable interest rate

An interest rate that is likely to go up or down over time

## VAT

Value Added Tax – a tax paid to the government for most goods and services

## Visa

An international card payments organisation owned by banks worldwide, which provides credit cards

## Volatility

The extent of change in the value of a given market; a market that goes up and down in value dramatically in a short period has high volatility

## Voluntary excess

A sum of money that an insured person agrees to pay for any loss, damage or injury before an insurance company will make any payments

## Ww

### Waiting period

A period of time in an insurance policy which must pass before some or all cover begins

### Whole-of-life policy

Life assurance that pays out an agreed sum on the death of the person who took out the insurance, as long as they continue to pay their premiums

### Will

A legal document containing instructions on how a person wishes their estate to be distributed after they die

### Wind up

The end or closure of an organisation or company

### Withdraw

Taking money out of an account

## Working capital

The amount of money available to a business, after debts, to enable it to grow

## Yy

### Yield

The money made on an investment each year, expressed as a percentage

## Zz

### Zero rated

A term to describe goods, for example books, that are taxed at zero per cent

A-Z Your Pocket Guide to Understanding Financial Terms  
A NALA/JEBS Partnership Financial Literacy Programme

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Words marked with \* are related to social welfare payments and benefits and have been described only in general terms. For detailed explanations, please contact the Department of Social and Family Affairs.

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