

# Ms Morrison's Glossary of Investment Terms

The image shows a collage of financial documents. The most prominent feature is a newspaper page with the word "INVESTING" in large, bold, black letters. Below this, there are several tables of financial data, including stock market performance metrics and company names. The tables are partially overlapping and tilted at various angles, creating a sense of depth and complexity. The data includes columns for "COMPANY NAME", "1-YR RETURN", and "RELATIVE TO INDEX".

COMPANY NAME	1-YR RETURN	RELATIVE TO INDEX
Manor Care	11.1	11.6
Pharm. Drink. Now	20.7	19.7
NA	NA	11.6
NA	10.2	11.6
164.2	10.2	11.6
182.9	10.2	11.6
28.9	10.2	11.6
6.7	10.2	11.6
210.4	10.2	11.6
232.8	10.2	11.6
15.7	10.2	11.6
15.8	10.2	11.6
19.8	10.2	11.6
6.6	10.2	11.6
19.7	10.2	11.6
13.1	10.2	11.6
26.1	10.2	11.6
15.9	10.2	11.6
0.8	10.2	11.6
155.8	10.2	11.6
4.9	10.2	11.6
49.7	10.2	11.6
76.0	10.2	11.6
25.2	10.2	11.6
5.5	10.2	11.6
12.1	10.2	11.6
17.7	10.2	11.6
1.8	10.2	11.6
16.8	10.2	11.6
35.1	10.2	11.6
15.6	10.2	11.6
20.1	10.2	11.6
0.6	10.2	11.6
17.4	10.2	11.6
32.1	10.2	11.6
10.1	10.2	11.6
23.2	10.2	11.6
7.9	10.2	11.6
11.6	10.2	11.6
36.9	10.2	11.6
42.8	10.2	11.6
19.5	10.2	11.6
1.2	10.2	11.6
7.1	10.2	11.6
66.0	10.2	11.6
45.8	10.2	11.6
8.9	10.2	11.6

NOTE: Returns include price appreciation and dividends. Returns are annualized average returns for the period shown. Returns are relative to the S&P 500 index.

Sources: Rankings by L.E.K. Consulting for component stocks rather than for the entire index. Different weighting when index returns are used.

NOTE: Returns include price appreciation and dividends. Returns are annualized average returns for the period shown. Returns are relative to the S&P 500 index.



## DEBRA'S GLOSSARY OF FINANCIAL INVESTMENT TERMS

**ANNUITY** - An investment contract issued by an insurance company that provides for either systematic immediate or future payments. Payments may be for a fixed period of time or until the annuitant's death, and their amount may be fixed or may vary, depending on the value of the underlying securities within the annuity contract.

**APPRECIATE** - to increase in value.

**BALANCE SHEET** - an itemized statement listing all the total assets and all the total liabilities of an individual or business to illustrate its net worth at a given time.

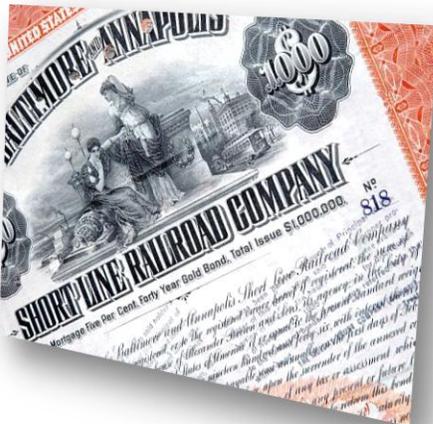
**BALANCED MUTUAL FUND** - a mutual fund that purchases common and/or preferred stock and bonds, thus providing less volatility than a pure stock fund, especially in a declining market.

**BASIS** - The cost-price plus commission--of purchasing an investment.

**BASIS POINT** - One-hundredth of a percentage point (.01%).

**BEAR MARKET** - A market condition in which prices are falling, or expected to do so.

**BENEFICIARY** - a person or entity named in a will, trust agreement, insurance policy, annuity contract, IRA, or other qualified retirement plan, that will receive financial benefits upon the death of the contract holder.



**BOND** - A debt security issued by corporations, governments, or their agencies, in return for cash from lenders and investors. Interest bearing bonds pay interest periodically. A bond holder is a creditor, not a shareholder.

**BOND RATING** - The estimate of the financial strength of a bond issuer, issued by Standard & Poor's Moody's Investors Service and Fitch's Investors Service--intended to inform investors of the risk of default. Bond ratings range from AAA

down to D, with B or lower ratings considered speculative.

**BULL MARKET** - A market condition in which prices are rising, or expected to do so.

**CAPITAL GAIN (OR LOSS)** The difference between the sales price of a "capital" asset and the basis--price + commission + reinvested dividends--at which it was acquired. The capital gain or loss will be treated as long-term, if the security was held for a period exceeding 1 year and 1 day. Long-term capital gains receive a special (lower) tax rate, currently 15%. Gains or losses on securities held for shorter durations are considered short-term, and are taxed at one's ordinary income tax bracket.

**CAPITAL GAINS TAX** - Federal income tax that is paid in the year in which a security's sale results in a gain. Gains on long-term capital assets--held longer than 1 year and 1 day--are taxed currently at 15%, whereby shorter duration capital gains are taxed at ordinary income rates.

**COMMODITY** - A tradable item that can generally be further processed and sold; i.e. metals, wheat, coal, etc. Investors generally buy or sell through futures contracts.

**COMPOUND INTEREST** - Interest that is paid on both the principal and the accrued interest during the preceding period. Interest is either computed annually, semiannually, quarterly, monthly or daily, with the most frequent period of compound interest; i.e., daily, generating the largest return.



**CONSUMER PRICE INDEX (CPI)** - The measure of changes in the cost of consumer goods, including housing, food, transportation, entertainment, medical care, etc. The US Department of Labor calculates the index each month from the cost of approximately 400 items in various urban areas across the United States. Some pensions and Social Security rely on the CPI to determine whether to issue increased payments to recipients to keep pace with the rising cost of living.

**CURRENT YIELD** - The annual return on a bond is computed by dividing the annual coupon rate by the market price. The Current yield equals the coupon rate for bonds purchased at par, and the current yield exceeds the coupon rate for bonds purchased at a discount.

**DIVIDEND** - The amount of a corporation's after-tax earnings that it pays to its shareholders that own common or preferred stock.

**DOLLAR COST AVERAGING** - Systematic purchases (or sales) of fixed-dollar (or fixed numbers of shares) at regular intervals. An investor buys more shares when the price is low and fewer shares when it rises, and the average price per share is often lower than that of purchasing a lump sum on any particular day.

**DOW JONES INDEX** - A leading index of U.S. stock market prices composed of 30 blue-chip, mostly industrial companies.

**EQUIVALENT TAXABLE YIELD** - Method that calculates the yield that must be offered on a taxable bond issue to give the same after-tax yield as a tax-exempt issue.

**ESTATE** - All assets owned by an individual at the time of their death, including but not limited to: investments, personal effects, collectibles, interest in businesses, titles to property, and evidences of ownership--like owning one's own life insurance policy.

**EXECUTOR** - The person who, when named in a will carries out the decedent's wishes for the distribution of his assets. The executor fulfills his duties under court supervision.

**FINANCIAL ANALYST** - A person trained to advise on the risk and return characteristics of investments and make recommendations in the management of investment portfolios.



**INDEX** - A numerical measure of price movement in financial markets. Indexes measure the ups and downs of stock, bond, and some commodities markets. [See List of Indexes below.](#)

**INVESTMENT** - An asset that is acquired for the purpose of producing income and/or capital gains.

**LIQUIDITY** - The ability of an investment to be easily converted into cash with little- to no loss of capital and a minimum of delay, because of its high level of trading activity.

**MARKET** - A public place where buyers and sellers conduct transactions, usually in stocks, bonds, or commodities, either directly or via intermediaries.

**MONEY MARKET FUND** - A mutual fund that invests only in short-term securities, such as banker's acceptances, commercial paper, repurchase agreements, and government bills. The net asset value per share is maintained at \$1.00. Such funds are not federally insured, although the portfolio may consist of guaranteed securities or the fund may have private insurance protection.

**MUNICIPAL BOND** - A financial instrument that represents borrowing by state or local governments to pay for special projects such as highways or sewers. The interest that investors receive is exempt from some income taxes.

**MUTUAL FUND** - Mutual funds are pools of money that are managed by an investment company and regulated by the Investment Company Act of 1940. They offer investors a variety of goals, depending on the fund and its investment charter. Some funds seek to generate income on a regular basis. Others seek to preserve an investor's money. Still others seek to invest in companies that are growing at a rapid pace. Funds can impose a sales charge, or load, on investors when they buy or sell shares. No-load funds impose no sales charge.

**MUTUAL FUND FAMILY** – A group of mutual funds set up by one investment company among which shareholders can easily switch or exchange shares as their investment strategy or needs change. Most mutual fund families consist of several income and growth funds, precious metal funds, international, and specialty funds.

**NATIONAL ASSOCIATION OF SECURITIES DEALERS AUTOMATED QUOTATIONS (NASDAQ)** - The New York-based U.S. stock exchange that specializes in technology companies, dates back to 1971, and is market value weighted, i.e. it takes into account the total market cap of its participating companies not simply their share price, unlike the Dow Jones Industrial Average.

**OPTION** - An agreement that conveys the right, but not the obligation, to the holder to buy or sell a particular security at a stipulated price within a stated period of time. Buyers of call options bet that a stock will be worth more than the price set by the option (the strike price), plus the price they pay for the option itself. Buyers of put options bet that the stock's price will drop below the price set by the option

**ORDINARY INCOME** - The income derived from the regular operating activities of a firm or individual and taxed at the prevailing rates because it does not qualify for special tax treatment (capital gains, special averaging).

**PORTFOLIO** - An investor's collection of investment holdings, real or financial,

**PROSPECTUS** - A written legal document, required by the Securities Act of 1933, setting forth the complete history and current status of a security or fund; it must be made available whenever an offer to sell is made to the public.

**RETURN** – The percentage change in the value of an investment over an evaluation period, including any distributions made from the portfolio during that period.

**RISK** - The measurable likelihood of loss or less-than-expected returns. It is often defined as the standard deviation of the return on total investment.

**RULE OF 72** - A formula used to determine the amount of time it will take for invested money to double at a given compound interest rate, which is 72 divided by the interest rate.

**SECURITIES AND EXCHANGE COMMISSION (SEC)** - The U.S. regulatory authority for the securities industry.

**SECURITY** - The paper right that proves ownership of a tradable asset such as stocks, bonds, and other investments.

**SIMPLE INTEREST** - Interest that is paid on the initial investment alone and is calculated as a simple percentage of the original principal amount.

**STOCK** - An instrument that signifies an ownership position (equity) in a corporation, indicated by shares.

**TREASURIES** - Securities issued by the U.S. Department of the Treasury. Treasury Bills are obligations of the U.S. Treasury that have maturities of one year or less. Treasury Bonds are debt obligations of the U.S. Treasury that have maturities of 10 years or more. Treasury Notes are debt obligations of the U.S. Treasury that have maturities of more than 2 years but less than 10 years.



**TREND** - The current general direction of the market or movement in a security or commodity price.

**VOLATILITY** - The extent of fluctuation in share price, interest rates, etc. The higher the volatility, the less certain an investor is of return; therefore, volatility is one measure of risk. A volatility index measures risk, on a scale of 1-9; a higher rating means higher risk.

**ZERO COUPON BOND** - A bond in which no periodic coupon is paid over the life of the contract. Instead, both the principal and the interest are paid at the maturity date.

# List Of Indexes

- Dow Jones Industrial Average
- S & P 500 Index
- S & P 500/BARRA Growth Index
- S & P 500/BARRA Value Index
- S & P 500 Mid-Cap 400
- NASDAQ Composite
- Russell 1000 Growth
- Russell 1000 Value
- Russell 1000 Index
- Russell 2000 Growth
- Russell 2000 Value
- Russell 2000 Index
- Russell MidCap Index
- Russell MidCap Growth Index
- Wilshire 5000
- Wilshire REIT Index
- NAREIT Equity REITS
- EAFE
- MSCI World Index
- MSCI Europe 14
- MSCI United Kingdom
- MSCI Emerging Markets
- Lehman Aggregate Bond Index
- Lehman Int. Gov/Corp Index
- Lehman Government Bond Index

