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Professional Certificate in Investments for Teens

## Financial Planning

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**Acceptance Testing:** Acceptance Testing is the final stage of testing where the investment product is tested for its suitability in the real-world environment. It ensures that the product meets the desired objectives and satisfies the client's requirements.

**Accredited Investor:** An Accredited Investor is an individual or entity that is allowed to invest in securities that may not be registered with financial authorities. These investors are considered to have sufficient knowledge and expertise to evaluate the risks and merits of an investment.

**Asset Allocation:** Asset Allocation is an investment strategy that involves dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash. The goal is to balance risk and reward and to maximize the investment's potential return for a given level of risk.

**Beta:** Beta is a measure of the volatility of a financial asset in comparison to the overall market. A beta of 1 indicates that the asset's price will move with the market, while a beta less than 1 indicates the asset will be less volatile than the market, and a beta greater than 1 indicates the asset will be more volatile.

**Blue-Chip Stocks:** Blue-Chip Stocks refer to the stocks of large, well-established companies with a history of reliable performance. These stocks are considered to be a safe and stable investment option.

**Bond:** A Bond is a fixed-income investment security that represents a loan made by an investor to a borrower. The borrower is usually a corporation, government, or government agency that issues the bond to raise capital.

**Bond Yield:** Bond Yield is the return on investment that a bondholder earns from a bond. It is calculated by dividing the annual interest payment by the bond's purchase price.

**Broker:** A Broker is an individual or firm that acts as an intermediary between a buyer and a seller of a security. Brokers facilitate the buying and selling of securities in return for a commission or fee.

**Capital Gain:** Capital Gain is the increase in value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price. The gain is not realized until the asset is sold.

**Capital Loss:** Capital Loss is the decrease in value of a capital asset (investment or real estate) that gives it a lower worth than the purchase price.

**Commodities:** Commodities are physical goods, such as grains, metals, and energy products, that are interchangeable with other goods of the same type. Commodities are traded on commodity exchanges and are used as a hedge against price changes or as a source of speculative income.

**Common Stock:** Common Stock is a type of equity security that represents ownership in a corporation. Common stockholders are entitled to vote on corporate matters and to receive dividends, but they are last

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in line to be paid if a company goes bankrupt.

**Compound Interest:** Compound Interest is interest calculated on the initial principal and any interest previously added to the account. It is the interest on interest and can lead to exponential growth in an investment over time.

**Diversification:** Diversification is an investment strategy that involves spreading investments across a wide range of assets to reduce risk. The goal is to minimize the impact of any one investment on the overall portfolio.

**Dividend:** A Dividend is a distribution of a portion of a company's earnings to shareholders. Dividends are typically paid in cash, but they can also be paid in additional shares of stock.

**Dollar-Cost Averaging:** Dollar-Cost Averaging is an investment strategy that involves investing a fixed amount of money at regular intervals, regardless of the price of the security. This strategy reduces the impact of short-term market fluctuations and can lead to a lower average cost per share.

**Earnings Per Share (EPS):** Earnings Per Share (EPS) is a measure of a company's profitability. It is calculated by dividing the company's net income by the number of outstanding shares of common stock.

**Efficient Market Hypothesis:** The Efficient Market Hypothesis is an investment theory that states that all publicly available information is immediately reflected in the price of a security. This means that it is impossible to consistently beat the market by using fundamental or technical analysis.

**Equity:** Equity is ownership in a corporation, represented by shares of stock. Equity represents the residual interest in the assets of the corporation after all debts and liabilities have been paid.

**Exchange-Traded Fund (ETF):** An Exchange-Traded Fund (ETF) is a type of investment fund that is traded on a stock exchange. ETFs track a specific index, sector, commodity, or a basket of assets, and they offer investors a low-cost way to gain exposure to a diversified portfolio.

**Fiduciary:** A Fiduciary is an individual or organization that has a legal responsibility to act in the best interests of another party. In financial planning, fiduciaries are required to put their clients' interests ahead of their own.

**Financial Advisor:** A Financial Advisor is a professional who provides financial planning, investment advice, and other financial services to individuals and businesses. Financial advisors help clients develop financial plans, select investments, and manage their finances.

**Fiscal Policy:** Fiscal Policy is the use of government spending and taxation to manage the economy. Fiscal policy is used to stabilize the economy, reduce unemployment, and control inflation.

**Fixed Income:** Fixed Income is a type of investment that provides a fixed stream of income, such as bonds, preferred stocks, and annuities.

**Fractional Shares:** Fractional Shares are portions of a single share of stock. Fractional shares allow investors

to purchase a specific dollar amount of stock, rather than a whole number of shares.

**Index:** An Index is a statistical measure of the performance of a group of securities. Indexes are used as benchmarks to measure the performance of investment portfolios and are often used as the basis for creating mutual funds and ETFs.

**Individual Retirement Account (IRA):** An Individual Retirement Account (IRA) is a retirement savings plan that allows individuals to save for retirement with tax-free growth or on a tax-deferred basis. IRAs come in two main types: traditional and Roth.

**Inflation:** Inflation is the rate at which the general level of prices for goods and services is rising. Inflation reduces the purchasing power of money and erodes the value of investments.

**Interest Rate:** An Interest Rate is the cost of borrowing money or the return earned on an investment. Interest rates are expressed as a percentage of the principal amount.

**IPO:** An IPO (Initial Public Offering) is the first sale of stock by a company to the public. IPOs are used by companies to raise capital and provide investors with an opportunity to purchase shares in a company.

**Leverage:** Leverage is the use of borrowed money to increase the potential return on an investment. Leverage magnifies both gains and losses, making it a risky investment strategy.

**Lifecycle Fund:** A Lifecycle Fund is a type of mutual fund that adjusts its asset allocation based on the investor's age or expected retirement date. Lifecycle funds automatically rebalance the portfolio to reduce risk as the investor approaches retirement.

**Liquidity:** Liquidity is the ability to buy or sell an asset quickly and at a stable price. Liquid assets can be easily converted to cash without affecting the market price.

**Market Capitalization:** Market Capitalization (Market Cap) is the total market value of a company's outstanding shares of stock. Market cap is calculated by multiplying the current share price by the number of outstanding shares.

**Market Order:** A Market Order is an order to buy or sell a security at the best available price in the market. Market orders are executed immediately