Financial Terms for Kids to Know

The following are money-related terms that experts say you should know by the time you're a teen. While some of these may seem obvious to you, some might be new. Check them out!

1. **Saving:** "Saving means not using all of your money right away, but instead putting it aside for later," explains Stacy Francis, president and chief executive officer of Francis Financial *forbes.com.* You may have started saving with a piggy bank when you were just a toddler, and you probably have a savings account at your financial institution now. Many teens save for a car and their college education. Most adults also save for vacations, home remodeling projects and retirement.
2. **Budget:** A plan for how you're going to use your money.
3. **Loan:** Something you borrow, usually money, which must be returned or paid back. For example, if you ask your mom to loan you money at a store because you see something you want and didn't bring your own money, you'll be in debt to your mom until you pay her back, and she may ask you to pay her interest. (See the definitions for debt and interest that follow.)
4. **Debt:** Like a loan, a debt is something that you owe someone. If you have a loan, you are in debt to the person who gave you the loan.
5. **Interest:** "Something you pay when someone lends you money or something you earn when you lend money to someone else," *forbes.com.* Going back to our example from #3, your mom could ask you to pay her 5% interest on the loan she gave you at the store; so if you borrowed $10, you owe her $10.50.
6. **Credit:** "Lets you buy something without paying for it right away," *forbes.com*. For example, if your dad uses his credit card to buy a new fishing rod that costs $50, the credit card company is actually paying for the rod. The credit card company will send your dad a bill the next month, and he should pay the $50. If he doesn't pay the money back then – and he will have to pay at least a minimum amount – he will get charged interest. The longer he waits to pay the credit card company, the more money he will owe. While credit cards are sometimes a safer way to pay, it's best to use them only if you can afford to pay the bill. Keep in mind that a credit card is not the same as a debit card. When you use a debit card, money is immediately taken from your checking account.
7. **Taxes:** Payments to the government; they're taken directly from people's paychecks, and the amount of money they pay depends on the amount they earned. Although no one gets really excited about paying taxes, the money does have a significant purpose: That money is used to fund your state's roads, police stations, fire trucks, public schools and libraries, clean water, government buildings and other public services.
8. **Investment:** Something you pay for that you believe will increase in value and earn you more money.
9. **Stock:** "When you own stock in a company, you own a small part of it. Every stock has a price, and that price can go up or down, depending on what's happening at the company," *forbes.com.*
10. **401(k):** Many employers offer their workers this savings account for retirement and sometimes match, up to a certain amount, the employees' deposits into it. The benefit is the workers don't pay taxes on the money that goes into the account until they retire (stop working, usually after age 65).
11. **Credit Score:** Here's how Forbes describes it: "There are three credit bureaus, which calculate your 'credit score' or how you use your money. The goal is to have a high credit score." Having too much debt and not paying your bills on time lowers your score. A high score is helpful when people want to borrow money to buy a house or car, but a low score can make it more difficult to get a loan from a financial institution.

Sources:
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