

1-2-3 Banking

Strong beginnings to a healthy financial future

6 Financial Terms to Impress Your Parents and Friends

Every business, hobby, or activity has its own set of jargon specific to that topic. Football has tackles, touchdowns, and quarterbacks. Writing has sentence structure, voice, and grammar. The banking industry is no different. As you learn more about finances and banking, it's easy to get lost in the language. To help you, here are some basic banking terms you may hear, and are good to know.

The Fed – This is short for the Federal Reserve. The Fed is the central bank of the United States. The purpose of the Fed is to help maintain the stability of the entire US financial system, by setting monetary policy and keeping prices stable.

Net Worth – This is your total financial picture, and how much you have between saved money and debt. If you have \$5000 in the bank, and also hold a \$2000 loan, your net worth is \$3000. Growing a high net worth can ensure a happy retirement, and it's never too soon to think about how to grow your own net worth.

Inflation – This has to do with the increase in costs of everyday products, and how much money will buy. Ask your grandparents, a hamburger used to cost 10 cents. Now, you can hardly find one for under \$2.00! A dollar would have bought a lot more several years ago. This is due to inflation.

Collateral – While getting a loan, collateral refers to something the bank can fall back on if you decide not to pay back your loan. The bank may be happy to loan you \$10,000 to buy a new car, but that same car will usually be the collateral for the loan. If you stop making loan payments, the bank will eventually take the car back from you as a way to get their money back. Tip: Always make your loan payments on time!

Interest – This can be described as money paid for money. It's a way both you and the bank make money. The bank will charge interest on a loan, and interest amounts can vary on several factors. Talk to your personal banker on how you can earn interest just for keeping money in the bank.

Investments – These are usually long term financial accounts like stocks or mutual funds. The value can go up or down based on many factors, but smart investments will grow over time, and can gain or lose money. Before you decide to invest any amount of money, it is best to talk with a Financial Advisor. They understand markets and can help you make wise choices.

Banking terms can be challenging to understand. At the Bank, we are continually educating ourselves on everything going on in the banking world, so when you have questions, we can be ready to answer them and help you make financial choices that will benefit you. If you run across something you don't understand, feel free to see us anytime – that's what we are here for!

Enjoy the journey!

