Wealth Building Terms Explained

A Beginner's Guide to Growing Financial Confidence

Building future wealth starts with understanding the language of money. Knowing these common financial terms can help you make informed financial decisions with confidence. At America Saves, we believe an informed saver is an empowered saver, and every step you take to build your financial knowledge helps strengthen your path toward success!

Start With the Basics

- **Income**: Money you earn from work, benefits, investments, or other sources.
- **Asset**: Something you own that has value, such as savings, investments, or a home.
- **Liability**: Money you owe, including loans, credit cards or a mortgage.
- **Net Worth**: The difference between what you own (assets) and what you owe (liabilities).
- **Wealth**: The financial resources you build over time through saving, reducing debt, investing, and owning assets that support your long-term goals.

Learn the Language of Investing

- **Investing**: Using money to purchase assets with the goal of growing your money over time.
- **Risk**: The chance an investment could lose value.
- **Return**: The amount an investment gains, or loses, over time.
- **Diversification**: Spreading your money across different investments to help reduce risk.
- **Portfolio**: The collection of investments you own.
- **Compound Growth**: Growth that happens when your savings or investments earn money and continue to earn over time.

Explore Common Investment Types

- **Stock**: Represents a fraction of ownership in a company.
- **Bond**: A loan made to a company or government that may pay interest over time.
- **Mutual Fund**: A collection of investments managed together.
- **ETF (Exchange-Traded Fund)**: A fund that holds many investments and trades like stock.
- **Index Fund**: A fund designed to track the performance of a market index.
- **Market Index**: Tracks the performance of a specific group of stocks, bonds, or other assets. Examples are the S&P 500 and Nasdaq Composite.

Understanding Retirement Savings

- **401(k)**: An employer sponsored retirement savings plan.
- **403(b)**: A retirement savings plan available to employees of schools and non-profit organizations.
- **IRA (Individual Retirement Account)**: A personal retirement account that can be used outside of an employer sponsored plan.
- **Roth IRA**: A retirement account funded with after-tax dollars that may allow qualified withdrawals to be tax-free.
- **SEP IRA**: A retirement savings option often used by self-employed individuals and small business owners.
- **Employer Match**: Money an employer may contribute to your retirement account based on your own contributions.

Know Where to Turn

- **Financial Counselor:** Helps with budgeting, debt reduction, savings and overall financial well-being
- **Financial Advisor:** Provides guidance on investments, retirement planning, and other financial decisions
- **Fiduciary:** A financial professional who is legally and ethically required to act in your best interest when providing advice.

Keep Learning, Keep Growing, Keep Building

Building future wealth starts with knowledge but grows through action. You don't need to know everything today! Each new concept you learn can help you make more informed decisions and take the next step toward your goals.

Take the America Saves Pledge and commit to a savings goal that matters most to you. Explore more resources and tools at americasaves.org to continue building financial confidence – one step at a time.