

MISS Independent



NICOLE LAPIN

NEW YORK TIMES BESTSELLING AUTHOR

A SIMPLE 12-STEP PLAN TO START INVESTING AND GROW YOUR OWN WEALTH

A PDF COMPANION TO THE AUDIOBOOK

Copyright © 2022 by Nicole Lapin

All rights reserved. No portion of this book may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopy, recording, scanning, or other—except for brief quotations in critical reviews or articles, without the prior written permission of the publisher.

Published by HarperCollins Leadership, an imprint of HarperCollins Focus LLC.

Any internet addresses, phone numbers, or company or product information printed in this book are offered as a resource and are not intended in any way to be or to imply an endorsement by HarperCollins Leadership, nor does HarperCollins Leadership vouch for the existence, content, or services of these sites, phone numbers, companies, or products beyond the life of this book.

This book is designed to provide readers with a general overview of how to start investing and growing wealth. It is not designed to be a definitive investment guide or to take the place of advice from a qualified financial planner or other professional. Given the risk involved in investing of almost any kind, there is no guarantee that the investment methods suggested in this book will be profitable. Thus, neither the publisher nor the author assume liability of any kind for any losses that may be sustained as a result of applying the methods suggested in this book, and any such liability is hereby expressly disclaimed.

ISBN 978-1-4002-2633-7 (eBook)

ISBN 978-1-4002-2632-0 (HC)

Library of Congress Control Number: 2021947249

Printed in the United States of America

22 23 24 25 26 LSC 10 9 8 7 6 5 4 3 2 1

STEP 2

PUT A PRICE TAG ON YOUR DREAMS

RICH ENOUGH CALCULATION

| MONTHLY EXPENDITURES | |
|--|--|
| Housing: mortgage or rent | |
| Bills: utilities, cell phone, and insurances | |
| Transportation | |
| Food | |
| Healthcare | |
| Child/pet costs (if applicable) | |
| Miss Independent Fund savings | |
| = Monthly burn | |
| x12 = Annual burn | |

WEALTH CALCULATOR QR CODE



PRETTY RICH CALCULATION

| MONTHLY EXPENDITURES | |
|---|-------------------|
| Your Rich Enough needs | |
| Dining | |
| Lifestyle (gym, beauty, memberships, and so on) | |
| Travel | |
| Clothing | |
| | = Monthly burn |
| | x12 = Annual burn |

SUPER RICH CALCULATIONS

| DREAM ITEM | TOTAL COST | MONTHLY COST |
|--|-------------|--------------|
| A BOAT | | |
| Option 1: 2001 Merritt Custom Sportfish | \$2,895,000 | \$241,250 |
| Option 2: 1990 Douglas Sharp Design Yachtfisher | \$588,000 | \$49,000 |
| A BIG DONATION TO MY ALMA MATER/FAVORITE CHARITY | | |
| Option 1: \$200,000 | \$200,000 | \$16,666 |
| Option 2: \$20,000 | \$20,000 | \$1,666 |

| DREAM ITEM | TOTAL COST | MONTHLY COST |
|--|------------|--------------|
| A NEW LOUIS VUITTON BAG EVERY YEAR | | |
| Option 1: Dauphine MM Epi Leather Bag | \$ 3,648 | \$304 |
| Option 2: Louis Vuitton on Tradesy: Duffel Brown Monogram Canvas Weekend bag | \$648 | \$54 |

STEP 4

STFU, YOU'RE NOT TOO OLD

| BALANCE WORKSHEET | |
|--|--|
| YOUR CURRENT ASSETS | |
| <i>Cash and Savings</i> | |
| Cash | |
| Checking Accounts | |
| Savings Accounts | |
| Money Market Accounts | |
| Certificates of Deposit (CDs) | |
| Other (alimony, child support, etc.) | |
| <i>Investment Assets</i> | |
| Stocks | |
| Bonds | |
| Mutual Funds (index funds) | |
| Stock Options | |
| Life Insurance (cash value only) | |
| Annuities (surrender value only) | |
| Real Estate (income-producing only) | |
| Other (REITs, commodities, cryptocurrency, etc.) | |

| BALANCE WORKSHEET | |
|--|----|
| <i>Retirement Assets</i> | |
| 401(k), Roth 401(k), and/or Employee Savings Plan | |
| Profit-Sharing Plans and/or Pension | |
| Traditional and Roth IRA | |
| Other (SEP, Simple, qualified accounts, etc.) | |
| <i>Non-Income-Earning Assets</i> | |
| Home Equity (all non-income properties) | |
| Furniture and Electronics | |
| Jewelry | |
| Vehicles (car, boat, motorcycle) | |
| Other (alternative investments like memorabilia, collectibles, etc.) | |
| Total Assets | \$ |
| YOUR CURRENT LIABILITIES | |
| Mortgage | |
| Car Loan | |
| Credit Card Debt | |
| Student Loans | |
| Taxes (not withheld) | |
| Current Unpaid Bills | |
| Life Insurance (amount borrowed) | |
| Other Debt (friends and family, etc.) | |
| Total Liabilities | \$ |
| NET WORTH (ASSETS - LIABILITIES) | \$ |

BALANCE WORKSHEET QR CODE



TIME VALUE OF MONEY CHART

| INTEREST RATE | 10 YEARS | 20 YEARS | 30 YEARS | 40 YEARS | 50 YEARS |
|------------------|----------|----------|-----------|-----------|-------------|
| 1% | \$12,731 | \$26,690 | \$42,117 | \$59,167 | \$78,010 |
| 2% | \$13,406 | \$29,658 | \$49,508 | \$73,752 | \$103,364 |
| 3% | \$14,129 | \$33,065 | \$58,626 | \$93,130 | \$139,705 |
| 4% | \$14,903 | \$36,986 | \$69,929 | \$119,073 | \$192,386 |
| 5% | \$15,733 | \$41,506 | \$83,998 | \$154,052 | \$269,548 |
| 6% | \$16,623 | \$46,728 | \$101,580 | \$201,522 | \$383,620 |
| 7% | \$17,578 | \$52,771 | \$123,637 | \$266,334 | \$553,671 |
| 8% | \$18,603 | \$59,778 | \$151,406 | \$355,311 | \$809,071 |
| 9% | \$19,704 | \$67,916 | \$186,485 | \$478,085 | \$1,195,226 |
| 10% | \$20,887 | \$77,383 | \$230,935 | \$648,276 | \$1,782,570 |

STEP 5

AUTOMATE YOUR WORLD

| YOUR FUTURE ASSETS | |
|--|--|
| SAFE ASSETS ⁶ | |
| <i>Cash and Cash Equivalents (Step 6)</i> | |
| Cash | |
| Checking Account | |
| Savings Account | |
| Money Market Account | |
| Money Market Funds | |
| Certificates of Deposit (CDs) | |
| Market-Linked CDs | |
| <i>Investment Assets (Step 7)</i> | |
| Treasuries (T-bills, T-notes, T-bonds) | |
| Treasury Inflation-Protected Securities (TIPs) | |
| Bond Index Funds | |
| Structured Notes (principal-protected) | |
| Fixed Income Annuities | |
| <i>Retirement Assets (Step 8)</i> | |
| 401(k)s and/or Employee Savings Plan | |
| Profit-Sharing Plans and/or Pension | |

| YOUR FUTURE ASSETS | |
|---|--|
| Traditional and Roth IRA | |
| Private Placement Life Insurance | |
| Other (SEP, Simple, qualified accounts, etc.) | |
| <i>Real Estate</i> (Step 9) | |
| Your Home Equity | |
| RISKY ASSETS | |
| <i>Investment Assets</i> (Step 10) | |
| US Stock Funds | |
| International Stock Funds | |
| Emerging Market Funds | |
| Stock Options | |
| Commodities | |
| Currencies | |
| Cryptocurrency | |
| Corporate Bonds | |
| Junk Bonds | |
| Municipal Bonds | |
| Bond Funds | |
| Structured Notes (partial protection) | |
| <i>Advanced Assets</i> (Step 11) | |
| Real Estate | |
| REITs | |
| Trust Deeds | |
| Rent from Income Properties | |
| Other Real Estate (senior housing facilities, etc.) | |
| <i>Tangible Assets</i> | |
| Furniture and Electronics | |
| Jewelry | |

| YOUR FUTURE ASSETS | |
|--|--|
| Vehicles (car, boat, motorcycle) | |
| Other Goods (alternative investments like fine art, memorabilia, etc.) | |
| <i>Funds</i> | |
| Venture Capital Funds | |
| Angel Investments | |
| Life Insurance | |
| <i>Current Liabilities</i> | |
| Mortgage | |
| Student Loans | |
| Disputed Debt | |

GET COMMITTED AGREEMENT

I, (your name), commit to making an automatic financial plan and sticking to it regardless of the scary news, intense peer pressure, or my glorious intuition. I am committing to my future self by adding a consistent dollar amount of _____ or percentage of _____ to my Miss Independent Fund every _____. I reserve the right to change the amount, percentage, or frequency as long as I am taking action to grow my wealth on a regular basis.

XO, _____ (sign here)

STEP

6

CASH IS QUEEN

MARIE KONDO YOUR SPENDING

| EXPENSE (ITEM OR EXPERIENCE) | LEVEL OF JOY (1-5) | PRICE | FREQUENCY/ MONTH | MONTHLY COST (PRICE X FREQUENCY) | YEARLY COST (MONTHLY COST X 12) |
|------------------------------|--------------------|-------|------------------|----------------------------------|---------------------------------|
| Mani/Pedi | 2 | \$75 | 2 | \$150 | \$1,800 |
| Spin Class | 4 | \$20 | 10 | \$200 | \$2,400 |
| | | | | | |
| | | | | | |
| | | | | | |

\$12,500 EXAMPLE QR CODE



STEP
7

GIRL, GET SOME BONDS

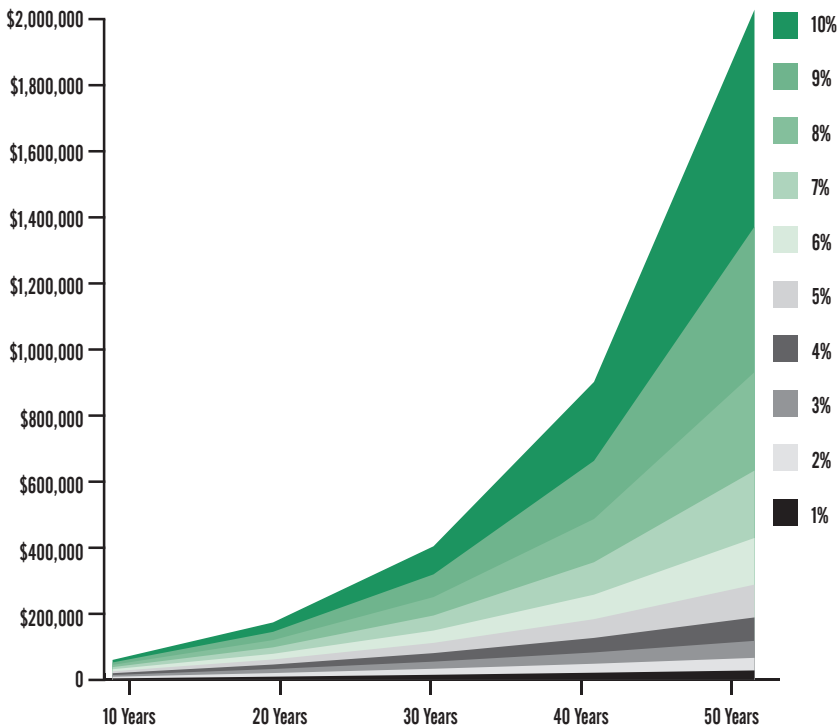
PREMIUM FLAVORS OF BOND QR CODE



STEP 10

INDEX FUNDS AND CHILL

TIME-RISK MATRIX



DICTIONARY

Accredited Investor: under Securities and Exchange Commission rules, someone who is eligible to participate in certain risky investments because they have a net worth of at least \$1 million or an income of \$200,000 (\$300,000 for married couples).

ACH Transfer: Automated Clearing House, a type of direct transfer of money to or from your bank account. It's often used to pay bills.

Adjustable-Rate Mortgage: a mortgage with an interest rate that varies with the market rate of interest.

Affiliate Income: payments made from companies to people who recommend their product, especially on social media. Where are my social media influencers?

Age-Weighted: a defined contribution pension plan that makes larger contributions to older workers, who also tend to make more money.

Altcoin: any cryptocurrency that isn't bitcoin. There are thousands of these on the market.

Angel Investor: an individual investor who provides startup capital to a new business.

Annuity: a contract that pays a specified amount of money each year.

APR (Annual Percentage Rate): an interest rate that includes added costs and fees for borrowing money.

APY (Annual Percentage Yield): the rate of interest earned on savings when compound interest is taken into consideration. It's a more accurate calculation of your return than APR.

Arbitrage: literally a risk-free profit, this involves making a profit by buying an asset at a low price and then selling it almost immediately at a higher price.

Asset Allocation: a method of diversification that looks to balance risk and return by spreading investments into different categories, like stocks and bonds.

Assets Under Management: the total value of the funds that an investment firm manages for clients.

Automatic Bank Account Transfer: an arrangement with a bank that moves money from one account to another without any additional work.

Balance Sheet: a basic financial statement that shows what you own and what you owe.

Bankruptcy: a legal process to handle situations in which a person or business has more debts than can be repaid.

Basis Point: one-hundredth of a percent, commonly used to quote interest rates and rates of return in the financial markets. 1.00 percent is equal to 100 basis points. If the rate goes to 1.01 percent, then it has increased by one basis point.

Bitcoin: a digital currency, also called a cryptocurrency, created in 2008 by someone using the name Satoshi Nakamoto. Each transaction is tracked in a digital key known as a blockchain.

Blockchain: a digital key that tracks transactions in a cryptocurrency.

Blog Income: revenue earned from advertising or sponsored posts on your personal blog.

Bond ETF: an exchange traded fund (like a mutual fund) that invests in bonds.

Bond Index Fund: a mutual fund that invests in bonds and that tries to track the performance of a bond market index.

Break-Even Point: the point where revenue equals expenses, so profit (and losses) equal zero.

Broker: the person or firm that acts with the buyer and the seller to get a trade done.

Brokered CD: a certificate of deposit that is issued by a bank but sold through a brokerage firm.

Burn Rate: how much cash you use up in each period without considering new money coming in.

Business Owner Policies: insurance policies that are designed to protect the owner of a business against liabilities and losses.

Call/Put Options: an option is a type of derivative that gives you the right, but not the obligation, to buy or sell an asset at a predetermined price on a predetermined date. A call option gives you the right to buy, and a put option gives you the right to sell.

Capital Gains: the increased value between the price you paid to buy an asset, like stock or a house, and the price you received when you sold it.

Capitalization: the total value of a company in the stock market, found by multiplying the number of shares by the price per share.

Carried Interest: also known as carry, this is the share of profit that the general partners in a private investment partnership receive. It is designed to be an incentive, and it is taxed at capital gains rates rather than as interest.

Cash Management Bill: a short-term fixed-income security sold by the Treasury Department to raise money when there's a temporary shortfall. The terms range from a few days to three months.

Certificate of Deposit (CD): a type of savings account that pays higher interest than a regular savings account as long as the money is not withdrawn for a specified period of time.

Commodity: basic materials and crops. Examples include corn, soybean, silver, and oil.

Compound Annual Growth Rate (CAGR): this is the mean annual growth rate, including the effects of compound interest, for an investment.

Compound Interest: interest paid on interest that was paid earlier. This is good if you are saving money, bad if you owe money.

Consumer Price Index (CPI): a calculation by the US Department of Labor of the change in overall price levels based on the change in prices for a fixed set of goods. Researchers go to stores all over the country once a month to see what things cost, then turn it into an index and report it.

Coupon Payment: the fixed payment that a bond issuer makes to bond holders to cover the interest on the loan. In the old days, these were actual coupons. When they came due, people would get all dressed up and go to the bank to deposit them. Now, it's an electronic payment.

Cross-Testing: a way to evaluate whether a pension plan discriminates in favor of the highest paid employees by looking at projected benefits at retirement time.

Currency: money, honey! Usually, currency refers to money from other countries.

Day Trader: a person who buys and sells shares many times during the day, hoping to make profits from small movements in prices.

Debt-to-Income Ratio: the amount of money you must pay on your debts each month divided by your monthly gross income.

Defined Benefit Plan: a retirement plan that pays workers a specified amount at retirement, often based on the amount of earnings at retirement.

Deflation: a steady decrease in price rates over time. This seems like a good thing, but it's not, because people are afraid to invest, and businesses are afraid to hire.

Delta: the difference between two things. Think of a river splitting into a delta. In business, it often refers to a price change, so the delta between one dollar and three dollars is two dollars.

Depression: a recession that lasts for years. The Great Depression refers to the 1930s, which was a period of high unemployment and serious economic problems.

Derivative: a contract that is based on the underlying value of another security. Examples include options and futures.

Dip: a temporary decline in prices.

Directors and Officers Insurance: insurance that protects the officers and board of directors of a company or a nonprofit organization against liabilities.

Discount Brokerage: a brokerage firm that has low or no fees for trading. It also provides few other services.

Diversification: what your granny called “not putting all your eggs in one basket,” this is the process of mixing your investments so that you do not have too much exposure to any one.

Dividend Income: money that you may receive from stocks you own if the companies choose to share a portion of profits with shareholders in the form of cash.

Dividends: payments out of profits that some companies make to their shareholders.

Dodd-Frank Wall Street Reform and Consumer Protection Act: a 2010 law that overhauled financial regulation following the 2008 financial crisis.

Dollar-Cost Averaging: sometimes called a Constant Dollar Plan, this is a way to buy shares of stocks or mutual funds by dedicating a specific dollar amount each period. It helps average out the effects of ups and downs.

Dot-Com Bubble: a big increase in prices in the shares of the first internet companies in the late 1990s. It popped in 2000 when people realized that only some of them were real businesses.

Dow Jones Industrial Average: a market index of thirty of the largest public companies in the United States, maintained by Dow Jones & Company.

Downside: what can go wrong.

Duration: a measure of how much a bond's price will change if interest rates change. In general, the larger the duration, the more the price will change.

EAR (Effective Annual Rate): the cost of borrowing that includes all costs and fees as well as compound interest.

Earned Income: money you make from your job.

Emotional Intelligence (EQ): a measure of how much you are aware of, able to control, and express your emotions. If you have a high EQ, you do a great job of handling relationships with other people.

Employer Identification Number (EIN): an Internal Revenue Service number that tracks a business for tax purposes. It is like a Social Security number.

Equity: another word for ownership. It is also a synonym for stock, which is ownership in a company.

Escrow: money, securities, or other property that are held in trust until a transaction is finalized.

Exchange-Traded Fund (ETF): like a mutual fund, an exchange-traded fund allows a large group of people to buy into a common investment. ETF shares can be bought and sold during the trading day, which gives them more flexibility.

FDIC: The Federal Deposit Insurance Corporation, a government agency that regulates banks and insures deposits in the event of failure. I was really happy that they existed in the 2008 financial crisis.

Fed Funds Rate: the interest rate that the Federal Reserve Bank pays to banks that put money on deposit overnight.

Federal Reserve: the central bank of the United States. Also known as the Fed, the Federal Reserve regulates banks, researches the economy, and sets interest rates.

Fiduciary: a person who holds assets in care of their owner with a legal responsibility to act in the best interests of that asset owner.

Financial Advisor: a person in a professional position to give financial advice.

FINRA: Financial Institutions Regulatory Authority, the organization that regulates brokers and stock exchanges.

Fintech: financial technology, an emerging field that looks at ways that technology can make it easier for people to manage money.

Fixed Annuity: a contract that gives someone a fixed payment every year for a specified number of years or for the rest of their life. The return on the investment is based on an interest rate. These are often used for retirement income.

Fixed Income: a type of security that pays a fixed rate of return, usually a bond.

Fixed Index Annuity (FIA): a contract that pays someone a fixed payment every year for a specified number of years. The return on the investment is based on the return of a stock-market index.

Flight to Safety: moving assets from riskier investments to safer ones in a time of economic crisis.

Forex: foreign exchange. Forex traders buy and sell different currencies all around the world.

Front-End Ratio: also known as the Mortgage-to-Income Ratio, it is your monthly mortgage payment divided by your monthly gross income.

Full-Service Brokerage: a brokerage that charges customers fees but also provides a great deal of financial advice.

Fundamental Analysis: a system of finding the value of an investment by looking at the value of its business and its expectations for growth.

Futures: this is a type of derivative that gives you the obligation to buy or sell an asset at a predetermined price on a predetermined date. Basically, it's a contract that lets you lock in the price of an asset now for delivery in the future.

General Partner: the person or firm that organizes a private investment partnership. The General Partner chooses the investments, taking most of the risk but also taking much of the return.

Glide Path: the way that the asset mix of a portfolio changes over time, especially as you get ready to retire.

Global Fund: a mutual fund that invests in stocks of countries all over the world, including the United States.

Great Recession: a period of global economic decline, from 2007 to 2009, because of the failure of several financial institutions around the world.

Gross: value before associated costs are removed.

Hedge: insurance against something bad that might happen to your investments. You can literally buy insurance as a hedge—homeowner's insurance is a form of hedging—or you can set up your portfolio so that there is protection against things going wrong.

Hedge Fund: an investment fund that is managed to get the maximum return for a given level of risk. These are usually limited to high-net-worth individuals and institutional investors.

High Yield: a return on an investment that is greater than average, often because the risk of the investment is greater than average.

High-Frequency Trading: computerized trading by hedge funds and big institutions that allows them to make many trades in a very small amount of time: literally, less time than it takes for you to blink.

Income Tax: a fee charged by the government based on the amount of income you report.

Index: a measurement of market return. It is made up of a list of typical items (stocks, for a stock market index; common consumer goods, for a price index) and then looks at how they change in price over time.

Index Fund: a mutual fund that is invested in all the stocks in a market index so that its performance will match it.

Individual Retirement Account (IRA): a defined-contribution retirement plan that allows workers who are not covered by an employer plan to make contributions before taxes.

Initial Public Offering (IPO): the process of a private company making its stock available to the public market.

Intellectual Intelligence (IQ): your ability to learn, reason, plan, and solve problems.

Interest Income: interest that you earn on your savings accounts or from any loans you make.

Interest Rate Risk: the risk to bond prices from a change in interest rates. When rates go up, bond prices go down.

Interest: the cost of money, expressed as a percentage. It's what you earn on money you save—and pay on money you borrow.

Interest-Only Mortgage: a mortgage where you only have to pay back the interest every month. If you have an interest-only mortgage, you should have a plan for paying back the principal, or you can get really stuck.

Internal Rate of Return (IRR): mathematically, this is the rate of return that makes the present value of future cash flows equal to the price of the investment. This calculation is often used to measure the performance of private investment partnerships.

International Fund: a mutual fund that invests in stocks of companies headquartered outside of the United States.

Investment Advisor Representative (IAR): a person who works for a brokerage firm or a registered investment advisor who gives investment advice. IARs must be licensed by FINRA, and the advice they give depends on the licenses that they hold.

Investment Horizon: the length of time you plan to hang on to your investments before selling.

IRA (Individual Retirement Account): a defined-contribution retirement plan that allows workers who are not covered by an employer plan to make contributions before taxes.

Jumbo CD: a certificate of deposit that requires a significantly higher deposit than a standard CD. It usually pays a significantly higher rate of interest, too.

Large-Cap: short for large capitalization, these are the public companies with the largest valuations, like Microsoft, Facebook, and Apple.

Large-Cap Growth Fund: a mutual fund that invests in large public companies that are also growing faster than the economy in general.

Large-Cap Value Fund: a mutual fund that invests in large public companies with relatively low-priced shares. These are often industrial companies or utilities.

Leading Indicator: an economic statistic that gives a hint about where the market is going. Examples include new unemployment claims and manufacturing orders.

Licensing Income: earnings from allowing your copyrighted or patented material to be used by someone else.

Lifecycle Fund: a mutual fund that is designed to follow the risk and return needs over a person's life. Generally, it will have riskier investments in its earlier years and then move to income-generating investments when its shareholders near retirement age.

Lifestyle Creep: when we start to think of luxuries as necessities. Once you were happy when you could afford your bus pass, and now you really need a new BMW to get to work. Or do you?

Limited Liability Company (LLC): a US corporate structure that allows shareholders to pass through the income to their personal taxes while giving them the liability protections of a corporation. These are the common structure of private investment partnerships.

Limited Partner: an investor in a private investment partnership who has less risk but also receives less return. The limited partners put in cash but do not make investment decisions.

Liquid/No-Penalty CD: a certificate of deposit that allows for withdrawals before the maturity date with no penalty.

Liquidate: sell. Turn it all into liquid cash!

Liquidity Event: this is the time when you get money out of an investment and turn it into cash. It could be your choice, or it could be someone else's choice—for example if a company gets sold.

Living Trust: a trust established between two living persons, such as a parent and a child. If you're fancy, you can call this an Inter Vivos Trust.

Long-Term Capital Gain: the profit earned on the sale of an asset that was held for more than one year. These are taxed at a lower rate than short-term capital gains.

Macro: this is the big picture, the major events, the zoom-out perspective of the world.

Margin Call: if your account is at risk of big losses, your broker will ask you to deposit cash or securities. If you can't, your position will be sold out from underneath you.

Market Risk: also known as systematic risk, it's the risk you take for being in the market. If there's a crisis that affects everything, it is going to affect you.

Market-Linked CD: a certificate of deposit whose yield is tied to the return of a stock market index.

Maturity Date: the date that a certificate of deposit can be closed without paying an interest penalty.

MBA: Master of Business Administration degree, awarded to those who study a program of finance, accounting, marketing, and management.

Media Income: money from appearances on TV, radio, podcasts, etc., or from contributing to print outlets or blogs.

Medium-Cap Fund: a mutual fund that invests in the stock of medium-sized public companies, often companies just smaller than those in the S&P 500 index.

Micro: the zoom-in perspective on the world referring to small, everyday routines and ordinary events.

Money Market Fund: a type of savings account that pays a higher rate of interest than a traditional savings account. If they are offered by banks, they have federal insurance. Money market funds sold by brokers do not have federal insurance but often pay higher rates of interest.

Money Market Savings Account (MMA): a bank account that pays higher interest rates than a regular savings account. It usually requires a high opening account balance.

Money Purchase Plan: a program that allows people to buy into an annuity that will give them payments in retirement.

Multilevel Marketing Income: earnings from selling goods or services on behalf of someone else. In an MLM system, participants receive commissions on their sales as well as the sales of any new sellers they recruit.

Mutual Fund: a type of pooled investment. Many people put their money into the fund, which is then managed by investment professionals. A load fund charges new investors an upfront fee; a no-load fund has no upfront fee.

NASDAQ: one of the major stock exchanges in the United States. The letters stand for National Association of Securities Dealers Automated Quotation System, and it is pronounced Naz-Dack.

National Credit Union Administration: a federal government agency that regulates credit unions and insures deposits in the event of failure.

Negative-Amortization Loan: a loan where the payment doesn't cover all of the interest. The extra interest gets added back to the principal. Ouch!

Net: value found after removing all associated costs.

New Comparability: a type of retirement plan that allows businesses to make larger contributions to older and highly compensated employees and smaller contributions to younger and less well-paid employees.

Option: an option is a type of derivative that gives you the right, but not the obligation, to buy or sell an asset at a predetermined price on a predetermined date. A call option gives you the right to buy, and a put option gives you the right to sell.

Overleveraged: having too much debt.

Overweight: putting a larger-than-average share of your portfolio into a specific asset.

Paper: short for commercial paper. These are super short-term loans, sometimes as short as overnight. The short term means that paper has very little risk. Companies use paper to make sure they have the cash they need for large payments. Also, what this is printed on.

Par Value: the face value of a bond, usually \$1,000.

Paycheck Protection Program (PPP) Loan: loans made to businesses during the COVID-19 pandemic that would be forgiven if the borrowers maintained their headcount.

Payroll Savings Plan: a program offered by some employers that allows employees to make savings contributions straight from their paychecks.

Pension: an employee benefit that gives you an income in retirement.

PIIGS: bonds from Portugal, Italy, Ireland, Greece, and Spain, countries that ran into serious trouble during the financial crisis.

PITI: principal, interest, taxes, and insurance, all of which may be rolled into your monthly mortgage payment.

Points: this is a payment you can make when you sign your mortgage that will reduce your interest rate. Each point is 1 percent of the amount borrowed.

Portfolio: all your investments and financial assets.

Price-to-Earnings (PE) Ratio: a way to measure the value of a public company by looking at the share price divided by a year's earnings.

Price-to-Rent Ratio: also known as the Rental Price Ratio, this is the cost of a house divided by the annual cost to rent a similar property.

Principal: the base amount of a loan or a savings account.

Pro Rata: proportional.

Profit and Loss Statement: an analysis that looks at how much money is earned and how much of it is spent on different expenses.

Profit Income: this is how I define money you earn from your side hustle, to separate it from other types of money that you receive.

Publicly Traded Company: a company that has stock listed on a public stock exchange, where anyone can buy and sell shares. Public companies must also disclose their financial information, and there's often really juicy stuff in those filings.

Rate of Return: the increase in value of an investment over a period, including any income from dividends or interest, divided by the value at the beginning of the period. In other words, the profit on an investment expressed as a percentage.

Real Estate Comps: a comparison of the values of properties of a similar size, quality, and location.

Real Estate Investment Trust (REIT): think of this as a mutual fund for real estate. Investors put their money into a fund that buys apartments, office buildings and other income properties.

Rebalancing: the process of adjusting your portfolio so that it gets back to its target asset allocation or follows its glide path.

Recession: a slowdown in the economy. It is usually marked by two quarters of declining Gross Domestic Product numbers.

Refinance: taking out a new mortgage with more favorable terms and using it to repay your current mortgage.

Registered Investment Advisor (RIA): someone who gives investment advice who is also registered with the Securities and Exchange Commission, which regulates a RIA's work but does not endorse or approve it.

Rental Income: money paid for the use of your property. For many people, this comes from apartment tenants or Airbnb guests.

Resale Income: money that you receive from selling the things you are no longer using, whether at a garage sale, online, or through a fancy auction house.

Residual Income: commissions or other payments for work that has already been completed, especially performance in a movie or television show.

Retail Investor: a brokerage firm client who is an individual, as opposed to a big pension or endowment.

Return on Investment (ROI): the increase in value of an investment over a time, including any income from dividends or interest, divided by the value at the beginning of the time period.

Risk: the likelihood of things going wrong. This is an assessment that looks at probabilities as well as flaws in the project.

Roth 401(k): a defined-contribution retirement plan offered by employers that allows workers to make contributions that are taxed when made but not when withdrawn. It also allows employers to contribute money out of profits.

Royalty Income: payments that come from sales of intellectual property, such as books or music.

Rule of 55: an IRS rule that lets people take money from their 401(k) or 403(b) accounts without paying a penalty tax if they leave their jobs during or after the year that they turn fifty-five.

Rule of 72: a way of estimating how long it will take for an investment to double. Divide 72 by the annual rate of return (as a whole number, not a percentage), and you'll get the approximate number of years it will take to double your money.

S&P 500: a market index of 500 public companies designed to represent the US stock market, maintained by Standard & Poor's.

Savings Account: a basic bank product that gives you a very low return, but is federally guaranteed and often can be opened with a small deposit.

Savings Bond: a US government bond that is marketed to individuals for savings.

Savings Club: a type of bank account that can be used to save up for something specific. Many people use these for their holiday budget.

Secondary Market: trading of assets after they have been issued.

Securities and Exchange Commission (SEC): the US government agency that oversees the financial markets and ensures that investments have adequate disclosure so that people can make decisions about whether to go ahead.

Series EE: the basic type of savings bond, sold at half its face value. A \$50 Series EE bond costs \$25 and will be worth \$50 on its maturity date.

Series I: a savings bond with an interest rate that varies with the rate of inflation.

Short-Term Capital Gain: the profit earned on the sale of an asset that was held for one year or less.

Short-Term Capital Loss: a loss realized on the sale of an asset that was held for one year or less.

Simple Interest: the interest calculated on the principal amount.

Small-Cap Fund: a mutual fund that invests in the stock of smaller public companies, some of which may be speculative.

Social Savings Club: a group of people who get together and make regular contributions into a pool that then gives the money back to members on a set schedule. These can be great, or they can be sources of heartbreak.

Speaking Income: payments for giving speeches at events.

Stock: ownership of a corporation, often divided into shares that can be bought and sold.

Sunk Cost: money you'll never get back, so ignore it when evaluating choices.

Supply and Demand: the basic force in economics that sets prices. Prices are at equilibrium if there is enough supply for everyone who wants to buy something, and no more.

Tax Deductible: an expense that can be used to reduce taxable income when calculating income taxes.

Technical Analysis: a system of finding the value of an investment by looking at supply and demand changes in the price charts.

Term: the length of a time until a bond matures.

Time Value of Money: a basic concept in finance that says that the money you have now is worth more than the same amount in the future, if only because you cannot spend it. You can get more money in the future by investing, if you are willing to give up the use of the money for a while.

Treasury Inflation-Protected Securities (TIPS): a type of bond issued by the federal government with a fixed interest rate and principal that varies with inflation. This way, you are ensured of your return regardless of what happens to price levels.

Unhedged: a portfolio or a financial asset with no protection against things going wrong.

Value Company: a public company that trades at a low share price relative to its earnings or assets.

Variable Annuity: an annuity contract that invests in a range of securities, so the amount of its annual payment will go up and down with their return.

Vesting Schedule: the percentage of a retirement benefit that someone is entitled to each year until they have 100 percent access. A typical vesting schedule gives someone 20 percent access their first year on the job, 40 percent access in year two, 60 percent access in year three, 80 percent access in year four, and finally full vesting—100 percent access—in year five.

Yield Curve: a graph that shows interest rates for different time periods for bonds of the same quality. It can be used as an economic indicator.

Yield: the percentage return found by dividing income from interest or dividends by the principal amount.

401(k): a defined-contribution retirement plan offered by employers that allows workers to make contributions before taxes. It also allows employers to contribute money out of profits.

403(b): a retirement account for nonprofit employees that allows them to set aside money before taxes.

1031 Exchange: this is a way to avoid paying capital gains taxes on real estate investment properties. You must sell one investment property and use the proceeds to buy another one.

2008 Financial Crisis: a deep recession caused by the failure of large financial institutions in the United States and in other countries, in most cases because they were overextended on real estate loans.