Common Retirement Income

Planning Terms and Phrases

1. **401(k)** – An employer-established qualified plan that allows employees to save for retirement by making pre- or post-tax contributions, up to certain limits. The employer may match employee contributions, and taxes are deferred on earnings.
2. **403(b)** – A retirement plan for eligible public school employees, certain ministers, and tax-exempt organizations, sometimes also called a tax-sheltered annuity (TSA) plan.
3. **AGI** – Adjusted Gross Income, a measure used to determine the amount of income that is taxable, calculated by your total yearly income minus allowable deductions. Also known as net income.
4. **Appreciation** – an increase in the value of an asset over time.
5. **Back-end load** – A charge or commission paid when an investment is sold, rather than when it is bought (opposite of a front-end load).
6. **Basis** – The initial value of an asset.
7. **Benchmark** – A standard that serves as a measure for the performance of a security, mutual fund or other investments.
8. **Beneficiary** – The person designated to receive insurance, annuities, or other benefits after the death of its owner.
9. **Bond** – A certificate of debt issued by a corporation or a division of government.
10. **CFA** – Stands for Chartered Financial Analyst, a type of licensed financial planner who has passed a rigorous training program.
11. **CFP** – Stands for Certified Financial Planner, a person who is certified by the CFP Board to provide financial guidance to consumers.
12. **Capital** – The amount initially invested in any fund, account, or other venture.
13. **Capital gain/loss** – The increase or decrease in value of an investment.
14. **Capital gains distributions** – A net gain that gets distributed to shareholders.

15. **CD** – Certificate of Deposit, issued by a bank or savings and loan association.
16. **Contribution** – Funds deposited into a retirement account.
17. **Convertible bond** – Bonds that can be exchanged for stock with the same company.
18. **Diversification** – The practice of distributing your investments over many different categories to minimize risk.
19. **ERISA** – The Employee Retirement Income Security Act of 1974, which governs private pension plans.
20. **FINRA** – The Financial Industry Regulatory Agency, which oversees all securities and brokerage firms in the United States.
21. **Fiduciary** – A person designated to manage, invest, or otherwise handle someone else's assets for the benefit of the other person rather than for his or her own profit.
22. **Fitch** – A rating agency that rates insurance companies' ability to pay claims.
23. **Fixed annuity** – an insurance contract where, in exchange for a fixed amount of money that grows tax-deferred, the insurance company will pay an individual at specific intervals for a set period of time, typically for the rest of his or her life. People can purchase many different kinds of annuities to guarantee a retirement income.
24. **Fixed income fund** – A fund that invests in fixed-income securities; also called a bond fund.
25. **Fixed period payout** – A payout for a specified number of years, rather than for a lifetime.
26. **Fixed return investment** – Investments that set a specific rate of return.
27. **Front-end load** – A charge or commission that an investor pays at the time of purchase, rather than when he or she sells.
28. **Fund assets** – The sum of all cash, holdings and securities, minus any debts.
29. **Joint and survivor annuity (or joint life annuity)** – A type of annuity for couples, which continues to pay benefits until the last survivor passes on.
30. **Liability** – Any debts or claims against you, your business, or your estate.
31. **Liquidity** – This indicates assets that can be turned into cash.
32. **Lump-sum distribution** – When the entire value of an investment is paid out at one time.
33. **Mortality table** – A table used by actuaries to predict how long groups of people are expected to live.

34. **Municipal bond** – A bond issued by state or local government. The interest is generally not federally taxable.
35. **Mutual fund** – A fund made of pooled money from multiple investors so it can be invested according to prescribed guidelines.
36. **Period certain annuity** – An immediate annuity that provides guaranteed income for a set amount of time, instead of for life.
37. **Premium** – The sum paid to insurance companies as capital to guarantee payments to policyholders.
38. **Pretax contribution** – Money invested in a fund or other account before taxes have been taken out.
39. **Prospectus** – A legal document that details a financial plan or offering.
40. **Rollover** – The reinvestment of funds from a mature security into a new issue of the same or a similar security; or the transfer the holdings of one qualified retirement plan to another without suffering tax consequences.
41. **Roth IRA** – An individual retirement plan that bears many similarities to the traditional IRA, but contributions are not tax deductible and qualified distributions are tax-free. Similar to other retirement plan accounts, non-qualified distributions from a Roth IRA may be subject to a penalty upon withdrawal.
42. **Serial bonds** – Bonds that are issued at the same time but have different maturation dates.
43. **Standard & Poor's rating** – This rating system indicates the riskiness of an investment. Bonds rated AAA, AA, A, and BBB are the lowest-risk and are classified as "Investment Grade."
44. **Withdrawal penalty** – A penalty for taking any money out of a fund or account before a prescribed date or age.

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