Financial Glossary

Adviser (Advisor) - An adviser or advisor is a person with extensive knowledge in a specific area and usually also includes persons with cross-functional and multidisciplinary expertise. An adviser's role is that of a mentor or guide and differs categorically from that of a task-specific consultant.

Aggressive Growth Fund - An investment fund that takes higher risk of loss in return for potentially higher returns or gains.

Annual Report - A yearly report or record of the financial position and operations of an investment or company.

Annuity - An insurance contract issued by a life insurance company. The contract provides income at regular intervals for a defined period of time, such as a specific number of years or for life.

Appreciation - An increase in the value of an investment.

Asset - Anything with commercial or exchange value that is owned by a business, institution or individual. Examples include cash, real estate and investments.

Asset Allocation – Similar to diversification. Having a mix of investments that make up a portfolio. Spreading your investments between asset categories (stocks, bonds, cash or cash equivalents) may help minimize risk. That's because investment categories respond to changing economic and political conditions in different ways. Just keep in mind that the use of asset allocation does not guarantee returns or insulate you from potential losses.

Asset Based Fees - Expenses that are based on the amount of assets in your account. These fees are generally charged as percentages or basis points.

Balanced Fund - A fund with an investment objective of both long-term growth and income, through investment in both stocks and bonds.

Basis Point - Refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points and 0.01% = 1 basis point.

Benchmark – Sometimes called an index. A group of securities whose performance is used as a standard to measure investment performance. Some well-known benchmarks are the Dow Jones Industrial Average and the S&P 500 Index.

Beneficiary - An individual, institution, charity, trustee or estate that will receive (or may become eligible to receive) money and/or other benefits upon the death of a certain person. Money and/or benefits are distributed according to the deceased person's will, insurance policy, retirement plan, annuity, trust or other contract.

Bond - A debt investment that represents money borrowed by a corporation, government, or other entity from an investor. The borrower (company) repays the amount of the loan, plus a percentage as interest to the investor (you). Income funds generally invest in bonds.

Broker - A person or entity who acts as a middle person between the buyer and seller of a security, insurance product or mutual fund. This person is often paid a commission. The terms broker, broker/dealer and dealer are sometimes used interchangeably.

Brokerage Account – An investment account sometimes known as a brokerage account is an account that holds financial assets such as stock, bonds, cash, and funds on behalf of an investor with a bank, broker or custodian.

Certified Financial Planner (CFP®) - CERTIFIED FINANCIAL PLANNER™ certification is the standard of excellence in financial planning. CFP® professionals meet rigorous education, training and ethical standards, and are committed to serving their clients' best interests today to prepare them for a more secure tomorrow. https://www.cfp.net/

Custodian - A person or entity, such as a bank or trust company, responsible for holding financial assets.

Deferred Annuity - A deferred annuity lets you potentially grow your assets so they could provide a steady stream of income during retirement. When you purchase the annuity, you deposit money into it over a period of time. That money is invested. At a certain point, usually at retirement, you start receiving payments from the annuity. These payments can be made in a lump sum or in installments.

Distribution - Money you take from your financial account, such as an IRA. Also called a withdrawal.

Diversification - The practice of investing in multiple asset categories and investments with different risk characteristics. The old adage of "Don't put all your eggs in one basket."

Dividend - Money an investment fund or company pays to its stockholders, typically from profits. The amount is usually expressed on a per-share basis. Example: if you own 10 share of XYZ company and they pay a dividend of $1.05, your dividend income will be 10 shares X $1.05 = $10.05

Equity - An investment representing ownership in a corporation. Equity is often used interchangeably with stock. Compare to a bond, which represents a loan to a borrower (company) made by an investor (you).

Equity Fund - A fund that invests primarily in equities/stocks.

Exchange Trade Fund (ETF) – An exchange-traded fund (ETF) is a type of security that involves a collection of securities—such as stocks—that often tracks an underlying index, although they can invest in any number of industry sectors or use various strategies. ETFs are in many ways similar to mutual funds; however, they are listed on exchanges and ETF shares trade throughout the day just like ordinary stock.

Federal Deposit Insurance Corporation (FDIC) - A federal agency that insures deposits in member banks and thrift institutions in the event of default or bankruptcy by the bank/institution.

Fee-Only Financial Advisor / Fee-Only Firm - Fee-Only financial advisors may be paid hourly, as a retainer, as a percentage of assets (AUM), or as a flat fee, depending upon the planner you choose.

There are three basic ways in which financial advisors are compensated: (1) Through a commission-based model (2) Through a commission & fee model (3) Through a Fee-Only model. Both commissioned and commission & fee advisors receive a compensation based on the specific financial products they sell to you. Because of the conflict of interest inherent in these transactions, these advisors may have difficulty putting the client's interest above their own.

We believe the Fee-Only method of compensation is the most transparent and objective method available. This model minimizes conflicts and ensures that your financial planner acts as a fiduciary. Fee-Only planners are compensated directly by their clients for advice, plan implementation and for the ongoing management of assets. All NAPFA members are required to work only within the Fee-Only structure, accepting no commissions for their work.

https://www.napfa.org/financial-planning/what-is-fee-only-advising

Fiduciary - A fiduciary is a person or organization that acts on behalf of another person or persons to manage assets. Essentially, a fiduciary owes to that other entity the duties of good faith and trust. The highest legal duty of one party to another, being a fiduciary requires being bound ethically to act in the other's best interests. For a fee, a fiduciary gives investment advice, or has the authority to do so. A fiduciary also has discretionary responsibility in the administration of that plan.

Financial Planner - Financial planners advise clients on how best to save, invest, and grow their money. They can help you tackle a specific financial goal—such as readying yourself to buy a house—or give you a macro view of your money and the interplay of your various assets. Some specialize in retirement or estate planning, while some others consult on a range of financial matters. A growing number of financial planners make money only when you pay them a fee for their counsel. These independent financial planners don't get a cut from life insurers or fund companies. You might pay them a flat fee, such as $1,500, for a financial plan. Or you could pay an annual fee, often 1% of all the assets—investment, retirement, college-savings and other accounts—they're minding for you. Others charge by the hour, like lawyers.

Anyone can hang out a shingle as a financial planner, but that doesn't make that person an expert.... A CFP has passed a rigorous test administered by the Certified Financial Planner Board of Standards about the specifics of personal finance. CFPs must also commit to continuing education on financial matters and ethics classes to maintain their designation. The CFP credential is a good sign that a prospective planner will give sound financial advice. https://guides.wsj.com/personal-finance/managing-your-money/how-to-choose-a-financial-planner/

Financial Statement - The written record of the financial status of a fund or company. Financial statements are usually published in a company's annual report. They generally include a balance sheet (statement of assets and debts), an income statement (income and expenses), and other financial statements and disclosures.

Fixed Annuity - With a fixed annuity, the insurance company guarantees the rate of return and payout. Guarantees are subject to the claims-paying ability of the issuing insurance company. One of the major ideas behind using a fixed annuity is to help remove risk from investing in the financial markets.

Form ADV - Form ADV is a filing required of financial advisory firms who manage $25 million or more. It must be filed with the U.S. Securities and Exchange Commission (SEC). The publicly available filing includes pages of information about the firm, including its fee structure, assets under management, other business activities, any disciplinary issues on record, and more. Our Form ADV filing can be found here https://adviserinfo.sec.gov/firm/summary/107212

Growth and Income Fund - A fund that has a dual strategy of growth or capital appreciation, as well as current income generation through dividends or interest payments.

Growth Fund - A fund that invests primarily in the stocks of companies with above-average risk in return for potentially above-average gains. These companies often pay little or no dividends, and their stock prices tend to have the most ups and downs from day to day.

High Net Worth Individual (HNWI) - A high-net-worth individual (HNWI) is typically someone with $1 million or more in cash or assets that can be readily converted into cash. The Securities and Exchange Commission (SEC) uses slightly different numbers for its Form ADV: $750,000 in investable assets or $1.5 million in net worth. Many financial institutions provide access to specialized investment accounts for HNWIs and other exclusive services. Some financial advisors work solely with HNWIs, and some have no account minimums.

Income Fund - A fund that primarily seeks current income rather than capital appreciation.

Index Fund - An index fund is a type of mutual fund or exchange-traded fund (ETF) with a portfolio built to match or track the components of a financial market index, such as the Standard & Poor's 500 Index (S&P

500). An index mutual fund is said to provide broad market exposure, low operating expenses, and low portfolio turnover. These funds follow their benchmark index regardless of the state of the markets.

Individual Retirement Account (IRA, Traditional and Roth) - IRAs are accounts that you own and fund through your own contributions. Two common types of IRAs are:

Traditional IRAs – Contributions are made with pre-tax dollars, and earnings are tax-deferred. This means that you don't owe taxes until the funds are withdrawn, usually at retirement.

Roth IRAs – Contributions are made with after-tax dollars, so you don't pay taxes on the money as it accumulates.

Investment - An asset acquired with the goal of generating income or growth. Used to build future wealth and intended to be sold at a higher price for a profit.

Investment Return - The gain or loss on an investment over a certain period, expressed as a percentage. Income and capital gains or losses are included in calculating the investment return.

Investment Risk - The possibility of losing some or all of the amounts invested, or not gaining value in an investment.

Large Capitalization - A reference to either a large company stock or an investment fund that invests in the stocks of large companies. Sometimes expressed as "Large Cap."

Liquidity - The ease that an investment can be converted into cash. If a security is very liquid, it can be bought or sold easily. If a security is not liquid, it may take additional time and/or a lower price to sell it.

Mid Capitalization - A reference to either a medium-sized company stock or an investment fund that invests in the stocks of medium-sized companies. Sometimes express as "Mid Cap."

Mutual Fund - An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser. Mutual funds can have actively-managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective. They can also have passively-managed portfolios, in which the adviser tries to match the performance of a selected benchmark or index.

Portfolio - A collection of investments, such as stocks and bonds owned by an individual, organization or investment fund.

Principal - Money you've contributed to your financial account, such as an IRA.

Rate of Return - The gain or loss on an investment over a period of time. The rate of return is typically reported annually and expressed as a percentage.

RIA or Registered Investment Adviser - Many investment advisers are also brokers—but these two types of investment professional aren't the same. An investment adviser is an individual or company who is paid for providing advice about securities to their clients. Although the terms sound similar, investment advisers are not the same as financial advisors and should not be confused. The term financial advisor is a generic term that usually refers to a broker (or, to use the technical term, a registered representative). By contrast, the term investment adviser is a legal term that refers to an individual or company that is registered as such with either the Securities and Exchange Commission or a state securities regulator. Common names for investment advisers include asset managers, investment counselors, investment managers, portfolio managers, and wealth managers. Investment adviser representatives are individuals who work for and give advice on behalf of registered investment advisers. https://www.finra.org/investors/learn-to-invest/choosing-investment-professional/investment-advisers

Return - The gain or loss on an investment. A positive return indicates a gain, while a negative return indicates a loss.

Risk/Risk Tolerance - An investor's ability and willingness to lose some or all of an investment in exchange for greater potential returns.

Security - A general term for stocks, bonds, mutual funds and other investments.

Separate Account - An insurance company account that is segregated or separated from the insurance company's general assets. This also refers to a fund managed by an investment adviser for a single plan.

Share - A representation of ownership in a company or investment fund.

Shareholder - An owner of shares in an investment fund or corporation.

Small Capitalization - Refers to either a small company stock or an investment fund that invests in the stocks of small companies. Sometime express as "Small Cap."

Standard Deviation - A statistical measure of risk. It reflects the extent to which an asset's rate of return may fluctuate from period to period. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility. Morningstar computes standard deviation using the trailing monthly total returns for the appropriate time period. All of the monthly standard deviations are then annualized.

Stock - A security that represents an ownership interest in a corporation.

Stock Fund - A fund that invests primarily in stocks.

Transaction Based Expenses - Fees based on the execution of a particular plan service or transaction.

Trustee - A person or entity, such as a bank, trust company or other organization, that is responsible for the holding and safekeeping of trust assets. The trustee may have other duties, such as investment management. A trustee serving as a "directed trustee" is responsible for the safekeeping of trust assets, but has no discretionary investment management duties or authority over the assets.

Volatility - The amount and frequency of fluctuations in the price of a security, commodity or market within a specified time period. Generally, an investment with high volatility is said to have higher risk because there's an increased chance that the price of the security will have fallen when an investor wants to sell.

Wealth Manager - Wealth Managers are a type of financial advisor. What sets them apart from other advisors is their clientele. Wealth Managers primarily work with high-net-worth and ultra-high-net-worth clients and typically manage large amounts of wealth. They work closely with their clients, typically rolling a variety of services into a comprehensive advisory package. Services may include investment management, financial planning, tax services, retirement planning, legal planning, philanthropic giving, and estate planning, among other services. A client's needs are typically what determines which services a wealth manager will provide on a client-by-client basis.

10000 College Boulevard ▲ Suite 260 ▲ Overland Park, KS 66210
phone: 913-345-1881 ▲ AspyreWealth.com

Aspyre
WEALTH PARTNERS®
Master What's Next®

10000 College Boulevard ▲ Suite 260 ▲ Overland Park, KS 66210
phone: 913-345-1881 ▲ AspyreWealth.com