Confused about money?

Money IS confusing. Even defining money itself can send you down a rabbit hole from which you might never emerge (so we won't do that here). Let's bust some common jargon.

Financial jargon-buster

Account – This is provided by a bank or building society which holds money for you. A current account is an everyday account which allows money to be paid in or taken out. A basic bank account is a special sort of current account which doesn't usually allow you to overdraw. A deposit or savings account is for your savings, and it should give you a better interest rate than a current account but with less flexibility when it comes to stuff like withdrawals.

Annuity – An annuity is an insurance contract issued by a life insurance company. The contract will provide income at regular intervals for a defined period of time, such as a specific number of years or for life.

APR – Annual Percentage Rate. This tells you the overall cost of borrowing, taking into account the interest you pay, any other charges, and when the payments are due. You can use the APR to compare the cost of one loan with another. The higher the APR, the higher the cost of the loan. All lenders have to tell you what their APR is before you sign a credit agreement.

Arrears – Money owed that has not been paid by the original due date.

Assets – Things that are owned such as cars, property and money.

ATM – Automated Teller Machine. This is a hole in the wall, or cashpoint, where you can withdraw money. To use an ATM, you need a cash card and a personal identification number, which is called a PIN.

Balance – This is the amount of money you have in your account at any particular time or which you owe on your credit or store card. It will be shown on your statement.

Bank statement – A document sent to customers by their bank, listing the transactions (money in and out) of a particular account – usually sent monthly.

Bouncing cheque – A cheque bounces when there isn't enough money in the customer's account to pay it.

Budget – A personal money plan which helps an individual to manage their income and expenditure. It usually covers each month or an entire year, but some budgets might be longer. Businesses and governments also use budgets.

CCJ – This stands for County Court Judgment. This is an order made by a judge which can affect your credit rating. An alleged debtor (someone who owes money) is sent a postal notification of an impending County Court case, and has fourteen days to respond, either by paying the money, admitting to owing a smaller sum, denying owing it, or going to a court hearing.

Credit – If your account is in credit, it means that you have money available to spend. If you obtain goods or services on credit, it means that someone, for example, a bank or credit institution, has given you the money to buy something. You must pay the money back, usually with interest.

Credit Card – A plastic card issued by a bank or building society which allows you to buy things and pay for them later. Your credit card issuer gives you a limit that you can spend up to on that account. You must pay back at least a minimum amount each month and usually interest will be charged if you do not pay off the full amount borrowed.

Credit Limit – The maximum amount allowed to be used on a credit card.

Credit Rating – When you apply for credit, responsible lenders want to make sure you can afford to repay any money you borrow. To do so, they calculate a credit rating, which helps them to assess the chances that you will be able to repay what you owe. Different lenders take different factors into consideration when making their judgement.

Creditor – A person or business money is owed to.

Current Account – A bank account which allows a customer to deposit money and withdraw money, by cash, cheque, standing order or direct debit.

Debit – Money which is taken out of an account is debited from that account.

Debit Card – A plastic card that can be used instead of cash when making a purchase. The amount spent is taken (debited) automatically by computer from your account.

Debt – Money owed to another person or business. A person who owes money to others is known as a debtor.

Default – This is failure to meet the financial obligations as agreed. People who do not make payments on a loan have ‘defaulted’ on that agreement.

Direct Debit – This is an instruction to your bank to release money automatically from your bank account to pay a regular bill. This is useful for frequent bills which are for different amounts each time, for example, telephone bills. You arrange this with your supplier and give them your bank details.

Fixed Interest Rate – This is a rate that stays the same for a defined period during a loan.

Gross Income – The full amount of money earned before any deductions such as tax.

Hire Purchase (HP) Agreement – A form of credit agreement which allows you to pay for goods in installments. Cars are often bought this way. You will not own the car until all the installments have been paid. If you don’t make the payments as agreed, the car might be taken away from you (repossessed) and sold. You can’t sell the car without the permission of the lender until you have paid for it.

Income – Amount of money received or earned over a period of time.

Income Tax – A tax on personal income. Usually deducted directly from wages or salary.

Inflation – Simply put(ish), inflation is the sustained upward movement in the overall price level of goods and services in the economy. It has the effect of devaluing a particular currency, so if inflation goes up, whatever money you have will buy you less in terms of goods and services than it would’ve previously. The opposite of this process is called deflation.

Interest – This is the reward you get for keeping your money in, for example, a bank or building society. Rates vary so you should shop around for the best deals. Interest is also the cost you pay when you borrow money through a loan or credit agreement.

Interest Rate – This is the percentage that is paid on savings or loans. A savings account that was offering 4% would give you a better return than one which was offering 2%. Similarly borrowing money at 29% is going to cost you more than borrowing at 18%.

Loan – An agreement between a lender and a borrower. The borrower agrees to repay the money borrowed over a period of time – with or without interest. This can be secured or unsecured (see definitions).

Minimum Repayment – The smallest amount you can pay towards money you owe on a credit card. You’ll find this on your monthly statement.

Net Income – The amount of income after all deductions have been made (for example, tax and National Insurance). Also called ‘take-home pay’.

Overdraft – An agreement with your bank which allows you to spend more money from your account than you have in it. You may be charged interest and fees to use this facility.

Overdrawn – If more money is withdrawn from your account than you have in it, you will be overdrawn. If you go overdrawn without asking the bank in advance, they might refuse to pay your cheques and charge you fees and a high interest rate on the money that you owe them.

PIN – Personal Identification Number – a secret number, which you use with your bank card. You must type this on a keypad in order to use your card, unless you’re making a contactless payment. You must always keep this number safe and not disclose it to anyone, even your bank. If your bank seems to be asking for your PIN, it’s almost certainly a criminal trying to steal from you!

Savings – Any money you put aside for future use. This may be in a bank account, or under your bed. ‘Rainy day’ savings are useful for emergencies and need to be easily accessible, while longer-term savings can be built up to provide a ‘nest egg’.

Secured Loan – This is money borrowed from a lender, using your property or other asset as a guarantee of repayment. If the amount is not paid in full, the lender may take the property back (repossess it) and sell it.

Standing Order – A method of paying regular amounts from your bank account automatically. You instruct your bank to pay the money for you to a particular person or company. It is your responsibility to change the payment if it needs to be altered.

Statement – A document from the bank, building society or mobile phone provider, which shows all your recent payments into, and withdrawals from your account. You should check it against your own records.

Store Card – A plastic card issued by a shop that lets you buy goods at that store on credit. You must either pay the full amount, or the minimum payment back each month.

Unsecured Loan – This is money borrowed from, for example, a bank, which is not secured against your home. The lender may take court action against you for payment if you don’t pay the money back as agreed.

Utility bills – The charge issued for services such as gas, electricity and phone.

Withdrawal – This refers to taking money out of an account.

I’m feeling stressed about my finances

If you’re feeling worried about money, you’re not alone and we’re here to help. Money can be a really confusing issue to navigate, but our support team is here to listen, offer reassurance and connect you to the right advice. Head here to speak to our team of experts and trained volunteers.

Article culled from The Mix website https://www.themix.org.uk/money/money-management-tips/a-guide-to-understanding-financial-jargon-37729.html