

Momentum

CREATING TRUE FINANCIAL INDEPENDENCE

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Personal Finance Vocabulary

Debt - A debt is created when a lender lends a sum of money to a borrower. A debt is granted with expected repayment plus interest.

Discretionary Spending – Is any spending where you get to choose how much to spend.

Financial Independence – Is achieved when your assets produce more income than your expenses.

Realistic Budget – Is a budget that includes monthly debt payments, expenses and non-monthly expenses.

Momentum Account – Is an account that is used to accumulate your monthly savings for non-monthly expenses.

Emergency Fund – Is a savings account containing a minimum of \$1,000 and ideally an amount equal to three to six months of your living expenses.

Cash Envelop System – Is a system of envelopes into which you place cash to pay for your discretionary spending such as groceries, gas, restaurants, entertainment and miscellaneous spending.

Investment – An investment is money used to earn profitable returns or appreciation of the value of the asset. Investments come with the risk of loss of the principal amount.

Cost of Living – is the cost of maintaining a certain lifestyle. It can also be used to compare the cost of two different geographic areas.

Take Home Pay – the amount of money you receive after taxes and other deductions have been made from your gross pay amount.