THE ABCs of Money
APR, an abbreviation for “annual percentage rate,” is the cost of borrowing money from a bank. Most of the time, APR isn’t something you pay just once. Instead, you could pay APR every month.

Why it sounds familiar: In commercials, credit card companies often show how good their credit card is compared to other companies by offering a “low APR.” Car companies will also use that phrase to promote a special deal they are offering on TV or online.

Banks are companies that keep, lend, and work with money. So banking is what you do when you give, spend, and borrow money with a bank. Banks also store your money for you and let you use that money to buy things.

Where you might have seen it: You know those plastic cards your parents use to buy things like groceries or clothes? Those come from the bank. The credit card is the bank’s money that your parents are borrowing, while the debit card is what they use to spend their own money.
A credit score is a three-number rating that shows banks how risky it is to lend money to you. The higher the score, the more likely a bank is to trust you and lend you money to buy things like cars and houses.

Think of it like this: If someone got an A on a math test while another person got a D, whom would you want to ask to help you with math homework? Probably the person who got the A. That’s kind of how lenders and banks react to someone with a high or low credit score.

Deposit is a word for putting money into a bank (in person or online). You can deposit money into a checking account where it will sit until you want to spend it using a debit card, cash, or check, or you can deposit money into a savings account.

Where you might have seen it: In some video games, like Restaurant Tycoon 2, you have to deposit earned money to purchase things and grow your business. That way, when it’s time to do things like pay your staff, you have money in your account to use.
The **economy** is made up of three things: all the people making things, all the people using things, and all the buying and selling of those things. If one country doesn’t make very much and doesn’t sell very much, everyone in that country has less stuff and less money—that’s when people see the economy as “bad.”

**Fun fact:** The United States is the world’s largest economy and the largest trader. People buy and sell goods and services from the U.S. more than they do any other country.

Say you lend money to an institution for a set period of time. In return, it will regularly pay you interest (extra money) on your investment. You’ll know how much you’ll get back and when, making it a **fixed-income** investment.

**Think of it like this:** Ian goes to the beach weekly in May and borrows your shovel. As a thank you, he brings a shell back each time. When May ends, you get the shovel back and have four shells. Since you got a shell weekly and the shovel, it’s like a fixed-income investment.
A **good investment** is one that fits your financial goals, you’re comfortable making, and is profitable (makes money). We’re all different, so one person’s good investment may not be another’s.

**Think of it like this:** Say you lend a video game to your friends Ali and Max as long as they each lend you one of theirs. After a week, Ali returns your game and gives you one of hers, but Max won’t return yours or share his after all. The first loan turned out to be a good investment, but the second did not.

**Household income** is the total amount of money made by all the people who live together in the same home. It is an important number for people who file taxes.

**Fun fact:** The government uses household income as a factor in deciding if it can help people pay for things like health care insurance, college, and even food. The higher a person’s household income, the more they can typically borrow and the less federal financial help they’ll be eligible for.
Interest is the cost of using somebody else’s money: The borrower pays interest and the bank receives it. In some cases, interest can also help you earn money, like a reward for keeping money in a savings account.

Think of it like this: If you share an iPad with your sibling and ask to use it for a full week, they may agree, but only for a favor in return, like first dibs on your new video game. In this case, that favor is the interest (cost) you are paying to get what you want—more iPad time.

When two people want to share money, they can open a joint bank account—one account that two people can use. Joint accounts are often used by life partners, family members, or business partners.

Why it sounds familiar: If you have two parents, they may share an account where they combine money to pay for things like your house, car, or Friday-night pizza. A joint account can also be used by you and a parent. That way, Mom or Dad can share their money until you are old enough to manage your own.
A **lease** is a contract between a person who owns a piece of property and someone who wants to use that property for a certain period of time. The person using the property must pay a specific amount to the owner each month.

**Where you might have seen it:** Many people sign a lease when they are renting an apartment or a house. You can also lease a car for a set period (like three years) rather than buying one. Your parents or teachers may have done this in the past, or currently do this. Ask them about leases to learn more!

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The **kiddie tax** is a tax on returns you earn through a special investment account run by a parent or guardian older than 18. The taxes you pay are lower than what adults would pay. So the kiddie tax stops parents from taking advantage of the tax savings meant for kids.

**Think of it like this:** Kiddie tax rules are like how some restaurants don’t let adults try to save money by ordering kids meals. Kids meals are for kids; The adults pay less for your meal, but they can’t order it for themselves.

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THE BCS of Money

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the balance
A **mortgage** is the type of loan—or method of borrowing money—that you use to buy a condo or house. Most people have to borrow from a bank to buy a home, and the mortgage is the type of agreement between the bank and the homebuyer (paid monthly) that makes it possible.

**Think of it like this:** With a mortgage, people borrow money and later pay back everything they borrowed, plus a little extra. Think of it like getting charged extra by your parents or guardians if you ask for an advance on your allowance.

An **NFT**—or non-fungible token—is a digital file that represents a real-world item, like a piece of art or a song. You can only buy or sell NFTs using blockchain technology, which privately keeps a record of who owns it, making your purchase unique.

**Fun fact:** NFTs with silly names like Bored Apes and Funky Monkeys became popular (and valuable) in 2021 and 2022. Another hot one is Nyan Cat—the former meme of a digital flying cat with a Pop-Tart body leaving a rainbow trail—which sold for more than $600,000.
**Online bill pay** is a service that allows you to pay your bills online using a smartphone or computer rather than sending cash or a check through the mail.

**Why it sounds familiar:** You may have heard your parents or guardians complain about the price of a utility bill in the winter, or even the cell phone bill. Bills are paid monthly, but the price may change depending on usage. With online bill pay, you can set up automatic payments, and money will be taken monthly directly from your bank account.

Despite the name, “**pink tax**” isn’t a tax. It’s a price increase on products targeted at those who identify as girls and women. Most commonly, it’s placed on things you find in a pharmacy, such as soap and skin care products.

**Where you might have seen it:** When walking through the pharmacy or grocery store, you may notice that the pink items are more expensive than the blue ones. This is a result of the pink tax. Items that are subject to the pink tax often have more “feminine” packaging or branding, such as pink color schemes.
In general, **risk** means uncertainty. And in finance, risk is the potential that you will lose money instead of make money. Risk is important to consider when you’re investing money.

**Think of it like this:** Let’s say you’re playing outside and decide to climb a tree. The higher you go in the tree, the better the view, but also the riskier it is because you have a greater chance of falling. That’s kind of what it’s like for investors deciding how much to invest and what to invest in.

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**Equity** can be used in legal, social, or financial situations, and when it comes to finances, it’s essentially how much of something you own. That “something” could be a house, shares of stock in a company, or another asset.

**Think of it like this:** Imagine that your parents buy you a bike for $100, but ask that you repay them for it. You plan to contribute $20 each month until you pay it off. After two months, for example, you would have $40 equity in the bike.
Taxes are a way for people to pay the government for the services it provides. There are many types of taxes to pay, including sales tax (on things you buy) and income tax (on the money you earn).

Think of it like this: If you have a money jar or piggy bank, then you already have your own version of a savings account—sort of. As you get older (or now with help from your parents), you can put money into a legally legitimate account that pays you interest, growing the original amount you put in.

A savings account is an account with a bank that safely holds money you don’t plan to spend right away. A savings account can be a good way to protect money you’re saving for long-term goals.

Where you might have seen it: Every year, usually in April, working Americans have to pay income taxes to the government. So before the deadline comes around, you may see commercials for tax-filing services, as well as the adults in your life start gathering important financial information to properly prepare.
Most often heard when talking about stocks or the stock market, volatility is a term used to describe the changes in stock price, or how often and how much the price of a stock moves up and down.

Why it sounds familiar:
Financial news networks tend to talk about overall market volatility in the U.S. economy or the volatility of specific companies. When it comes to stocks, usually the higher the volatility, the more risk—or chance to win big or lose big—there is in purchasing that stock.

A financial **unicorn** is a private company that reaches a supposed valuation—or estimate of its worth—of $1 billion. That’s $1 with nine zeros after it, which is considered a lot of money.

**Think of it like this:**
Like the mythical, horselike creatures they are named for, financial unicorns are very rare. Uber Technologies, Peloton, and Moderna—the company creating COVID-19 vaccines—were all unicorns at one point before becoming publicly traded companies.
Generally when something is **expensive**, that means it costs a lot of money. But deciding what is expensive will depend on the person purchasing the item, their opinion, how much money they have, or what they’re comparing the item to.

**Why it sounds familiar:** If you’ve ever really wanted the latest video game or a new product but your parents said no, you’ve likely been told, “That’s too expensive.” Next time your parent or guardian says this, ask them for tips to help you save up enough to purchase the item.

**Wall Street** is an actual street in New York City where the New York Stock Exchange and many of the biggest banks are located. Usually when people use the term, they are referring to the broader financial influence of NYC, as it’s often considered the finance capital of the world.

**Fun fact:** A coffee shop called Tontine Coffee House, located on Wall Street, was the very first location of the New York Stock Exchange, which remained there until 1817.
In the world of personal finance, **yield** is used to describe the amount of money you expect to make from an investment.

**Think of it like this:**
When you plant a garden, you get to harvest crops. The more seeds you put in the ground, the more food you can grow. Your garden’s yield is the amount of produce you should expect to harvest from your garden based on the number of seeds you planted, how big your space is, and what your soil is like.

**Zombie debt** is old debt, or money that you owe, that has been forgotten or not paid. These debts are often sold to collection agencies—organizations that specialize in trying to collect money owed to others—for a low cost. Collection agencies will then try to revive the debt and make you pay it.

**Think of it like this:** You can compare zombie debt to an actual zombie: it’s something that was dead but then came back to life. To fully understand debt’s impact, speak with an adult you are close to.