

MONEY TALK

We keep on hearing these weird finance words... But what does it all mean?!

Discover some of the basic terms that money savvy people need to know.



Budget

A plan to keep track of your money.



Income

Money that you earn (pocket money, wages, tutoring work, interest earned, salary, lemonade stand...).



Expenses

What you spend your money on (food, bills, clothes, Netflix...).



Saving

Putting some money aside for future use.



Savings account

A bank account that pays interest to the account holder. It's not designed to make purchases or payments.



Transactional account

Everyday deposit account for purchases and payments.



Gross salary

Your total salary package, inclusive of super and extras, pre-tax.



Account-keeping/bank fees:

Ongoing fees the bank charges to create and maintain your bank account. Look for banks with the lowest or NO fees – especially for youth bank accounts!



Super

A type of "savings" account for your retirement, offered by your employer. Your employer pays a percentage of your salary into your Super every year, where it gets invested and grows for future financial security.



Tax

Payments taken out of your income (salary, wages, interest earned), which go to the government for the work that it does, such as improving schools and fixing roads.



TFN

Tax File Number – you need this once you start earning money.



Tax deductions

Claims you can make to pay less tax, such as charitable donations, travel costs or important work gear.



Net salary

Your take-home pay after tax and deductions, but before you start paying your bills...



Interest

- Something you pay when someone lends you money (like the bank),
- Something you earn when you lend money to someone else, or keep your money in a bank account that pays you interest.

Interest is the reason why you should be super-fast to pay off debts (student loan, car loan, house mortgage), and be super slow to spend any savings or invested money.



EFTPOS (Electronic Funds Transfer at Point of Sale)

A payment system where you use your debit card to make a payment for goods and services, or to withdraw cash. That tap-and-go card thing!



Investing

Something (like stocks or an investment property) you spend money on, which you hope will earn you even more money (profit) along the line (either through compound interest, or making a profit when you sell shares or your property). Choose what you invest in carefully, because there is always some risk involved, and while you can make money, you can also lose money.



Compound Interest

As Einstein said: it's the 8th Wonder of the World! Compound interest means interest is calculated on the entire balance of your account, not just the initial amount you deposited. This means that every year, if you don't withdraw your balance, you'll be earning more interest because the balance of the account is getting bigger.



Stocks (Shares)

A piece of a company that you can "own" as part of your investment plan. Every stock has a price and that price can go up or down, depending on what's happening at the company.



Stock Market

Where people buy and sell (trade) their stocks. Can be physical or online.



Credit

Credit lets you buy something without having to pay for it right away. Use it very wisely.



Loan

Money that you borrow from a bank, a friend, a credit union or an online money lender, and which has to be paid back with interest. Can include student loans, car loans and home loans (taking out a mortgage), or short-term loans for urgent expenses.



Credit card

A card that borrows money from a credit card company to pay for something you want, whether you have actual money in your transactional account or not. Only use a credit card if you can afford to pay it off right away, or the credit card company will charge you extra money (interest).



Debt

Money that you owe: loans, credit card debt, home mortgage, AfterPay.



Living below your means

You have money left over at the end of the week. A good thing!



Debit card

Linked to your transactional account, and takes money directly from it for purchases and payments. Which means it can only take what's actually in there! Also used for cash withdrawals from ATMs.



Living above your means

You've spent more than you've earned this week. Not so good...