

FINANCIAL LITERACY

Glossary of Terms

Automated Banking Machines (ABMs) – Also known as an Automated Teller Machine. Electronic machines that are frequently distributed across Canada. They allow individuals to perform simple banking transactions, including deposits and withdrawals, without requiring a teller. Anyone with a bank card can use an ABM.

Bank Card – Also known as a debit card, a bank card can be used at stores to purchase items with money directly from your account, or at an ABM to perform basic banking activities.

Cash Flow – The in and out motion of money with various sources of income and expenses

Canada Revenue Agency (CRA) – A department of the Government of Canada that oversees tax laws and legislation. Also oversees various tax programs, as well as social and economic benefit and incentive programs through the tax system. They also oversee the registration of charities in Canada.

Cheque – A written order to the bank to withdraw a specific amount of money from one individual's account (the payer; the individual who wrote the cheque) and transfer it to another individual (the payee).

Chequing Account – Also sometimes known as a current account. A bank account where your money is accessible either by withdrawal with a bank card, a debit transaction, or by cheque.

Credit Cards – Examples include MasterCard and Visa. A credit card allows the user to make purchases that are not directly drawn from their chequing account. Interest is charged on all purchases that are not paid off in full by the end of the monthly period, except in the case of cash advances, balance transfers, etc.

Credit History – A record of your debt or loan history, including anything you currently own and anything you have applied for compiled by a major credit bureau. Used as a way for lenders to make an informed decision in evaluating whether or not to approve a new or additional credit.

Credit Limit – The maximum amount you are able to charge on a credit card or line of credit.

Credit Rating – An assessment made used to estimate the ability or likelihood of an individual to meet credit or loan obligations, based on previous experiences. Used by banks and other financial organizations when making decision regarding loans and credit card approval.

Debit Card – Another name for a bank card.

Gross Income – Your Salary before deductions

Guaranteed Investment Certificates (GICs) – A low risk investment opportunity offered by a bank. With the deposit of a specific amount over a fixed period of time, you receive a predetermined rate of interest that is higher than the interest rate of a savings account at the start of the term.

Identity Theft – The acquisition of another individual's personally identifying information to commit fraud.

Interest – Charge applied to borrowed funds. This includes the interest charged by a bank for the use of money on a credit card or line of credit, as well as money provided by a bank on a monthly basis for money kept in an account.

Glossary of Terms (continued)

Net Pay – Your Salary after deductions; gross income minus deductions.

Personal Identification Number (PIN) – Unique short code created by the user to use a bank card. It is required for all transactions, including using an automatic banking machine and making a debit purchase.

Registered Education Savings Plan (RESP) – Designed to help individuals save money for a child’s education. Savings are compounded, and while contributions are not tax deductible, growth is tax-deferred until funds are withdrawn for a qualified education program.

Registered Retirement Savings Plan (RRSP) – A savings plan that allows you to save for retirement. Income and capital gains from your investments are able to accumulate tax-free until they are withdrawn from the account, upon which time they are taxed as regular income.

Savings Account – A bank account that pays interest on funds deposited, while also providing easy access to funds. A chequebook is not provided.

Tax Free Savings Account (TFSA) – Flexible savings account. All Canadian’s over 18 can contribute up to \$5500 annually. All income made from this investment is not taxed, and can be withdrawn at any time.

Tax Return – A form prepared by a taxpayer that functions as an annual statement of income and circumstances. It is used by tax authorities to assess liability for tax.