

life event An occurrence allowing for changes in your *benefit elections* outside of the *annual enrollment period*. Examples of life events within most companies include marriage and divorce, birth or adoption of a child, and a spouse's job change.

life insurance A policy paying a *net death benefit* to your designated *beneficiary* if you die. If there are people depending on your income, you are a good candidate for life insurance. If so, start by getting quotes for *term insurance*.

living will An *estate planning document* spelling out your final wishes for specific medical treatment if you subsequently become terminally ill and unable to address such matters yourself.

load A sales commission payable to a salesperson at the time of *mutual fund* investment, the time of sale (redemption), and sometimes both. It is preferable and realistic to restrict yourself to the purchase of only *no-load funds*.

loan See *debt*.

local income tax Tax owed to a local jurisdiction, typically a city or county, based on your income or residency in that location. Examples range from New York City, "the Big Apple," to Jackson, Michigan, host of the Jackson County Rose Festival.

long-term care insurance Pays a portion of the cost of nursing home care. Typically not appropriate for those under 50 to consider for themselves. But talk to Mom, Dad, Grandma, and Grandpa.

long-term disability insurance Subsequent to the expiration of a *waiting period*, pays a portion of your income if you are unable to work for an extended period of time due to an illness or injury. Often such policies pay for many years, sometimes until age 65 or later.

lump sum An infrequent or one-time significant amount of money. Often resulting from a *rollover* from a *401(k)* or perhaps an inheritance, a lump sum should be treated very carefully because you don't get too many of them and they can be a huge part of your financial future.

marginal tax rate See *tax bracket*.

market (1) A place (formerly physical, increasingly virtual) in which people and organizations can buy and sell *investments*. There are different

markets for different categories of investments. (2) A place to buy meats, vegetables, and to ponder the genuine need for whole tomatoes, chopped tomatoes, diced tomatoes, tomato paste, and ketchup.

market capitalization The total value of a company. Calculated by the simple formula: market capitalization = *stock price x shares outstanding*.

market correction (1) A sharp and relatively quick downward adjustment of investment values. (2) When you come back from the grocery store and your spouse says “No, I can’t ‘just use ketchup’ in a recipe that calls for tomato paste. Now we need to go back.”

market interest rate Prevailing interest rate for a specific *investment* or financial product. Market interest rates go up and down for a variety of reasons.

market timing Strategy in which an individual buys and sell *stocks* frequently based on guesses of where the *market* or even a specific *investment* is headed. Since guessing requires an amazing degree of intellect and/or luck, it is not a long-term winning investment strategy.

married filing jointly Most common *filing status* for married couples. By choosing this filing status, a married couple can file one *tax return*.

married filing separately *Filing status* option for a married couple requiring each spouse to file a tax return. This usually, but not always, results in greater combined tax owed.

maturity (1) The date a *bond's principal* payment is available. (2) The point in life when you realize the most arrogant people are also the most insecure.

medical power of attorney See *durable power of attorney for health care*.

Medicare A program funding a portion of the health care expenses of qualified older Americans and those with certain disabilities.

Medicare tax Part of the *payroll tax*. The Medicare *tax rate* is 2.9 percent, half paid by you, half by your employer.

miracle of compounding interest The phenomenon of your money making money. The more you save and the longer you invest, the more dramatic the benefits. Unfortunately, this miracle also works in reverse if you borrow excessively: the *interest* payments you owe grow through

compounding as well, making it increasingly difficult to pay back your *debt*. This is the miracle of compounding interest in its evil form.

money Currency in the form of dollars and cents that enables people to easily exchange products and services with one another.

money market fund A *mutual fund* investing primarily in very safe *assets*. A money market fund aims to generate a *rate of return* higher than *savings accounts* with only a slight increase in *risk*. Money market funds attempt to keep their share prices at exactly \$1.00. Income comes from periodic *dividend* payments to *shareholders*.

mortgage A home purchase *loan*. Note, the home is *collateral* for the loan.

municipal bond The debt of a state government, local government, or similar agency. Municipal bond interest is, for the most part, exempt from *federal income tax*.

mutual fund An *investment vehicle* owning many other investments, including *stocks* and *bonds*. Mutual funds are a great way to invest the majority of your *savings*. Mutual funds enable *shareholders* to affordably benefit from *diversification* and *professional management*. Also see *index fund*.

net asset value Price of a *mutual fund share* calculated by dividing the total value of its *assets* by the number of *shares outstanding*.

net death benefit The amount your heirs will receive from your life *insurance policy* after you die. In the case of a *term insurance* policy, this is the same as the amount of life insurance you purchased. In the case of a *whole life insurance* policy, it could be more or less than the amount you originally purchased.

net income Money you receive from your paycheck, after taxes are *withheld*. Often referred to as *take-home pay*.

net worth What you own less what you owe, represented by the formula: $\text{net worth} = \text{assets} - \text{liabilities}$. Also known as *wealth*.

no-load fund A *mutual fund* you can purchase without paying a sales commission (*load*). You know you have a no-load fund if, after writing a check for \$1,000, your first statement shows a beginning investment balance of \$1,000. If you see only \$950, you paid a 5 percent load. Don't do that—ask the question in advance.