



10 Common Investment Terms to Keep in Your Back Pocket

When you're new to investing, it can be overwhelming to encounter unfamiliar terms. Below are ten common terms to get you started as you begin to navigate the world of investments.

- 1. Asset Allocation:** The asset categories that make up your portfolio such as stocks, bonds, and cash and how your saving is spread across the categories.
- 2. Bonds:** Issued by companies and governments to raise money needed to fund their operations, a form of debt and investors receive periodic interest payments for the term.
- 3. Capital Gain:** Increase in value of an investment, making its worth more than its purchase price. The gain is realized when the asset is sold.
- 4. Diversification:** Spreading investments across a range of asset classes and geographically (US or international), to balance risk and losses in your portfolio.
- 5. Dividend:** A distribution of profits, usually paid out by a company to its shareholders.
- 6. Dollar-cost Averaging:** An investment strategy of buying a specific investment at defined reoccurring times, for the same amount each time. The goal is to reduce the impact of volatility of large purchases.
- 7. Market Volatility:** Rate of price changes, both up and down, in the market.
- 8. Pre-tax Contribution:** Money put into a tax-advantaged retirement savings account, not subject to federal income tax during the year it was contributed. Taxes apply to contributions once they are taken as distributions.
- 9. Rebalancing:** Buying or selling assets to adjust the allocation of a portfolio, to align with a specific risk tolerance level or allocation mix.
- 10. Stocks:** Form of ownership (equity) in a publicly traded company.



Getting familiar with some of the key terms can help you feel more confident when discussing your investments with a financial professional.

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