

Glossary

Borrower

Someone who borrows something - usually money.

Budget

A way to keep track of your spending that records your income less expenses, to show any surplus or deficit.

Budgeting services

Organisations that offer budgeting advice and help create a plan to manage your money.

Bad debt

Money borrowed to buy things that lose their value after you buy them, such as electronic goods, or holidays.

Compound interest

Interest paid on interest. We earn compound interest when we have savings and don't spend the interest we earn on those savings. Over the long term, compound interest makes our money grow faster. Unfortunately it can also work against us when we carry debt, where the costs compound instead. The more we put off paying it back, the more we end up paying.

Credit rating

An assessment or judgment of how likely you are to pay money back if you borrow it, sometimes referred to as credit worthiness.

Credit report

A report that contains the information relevant to an individual or organisation's credit rating.

Debt

Debt is what we owe when we borrow - it comes in many forms, including mortgages, personal loans, credit card balances, hire purchase agreements, loans from family. Debt usually costs us in interest and fees.

Default fund

See 'KiwiSaver default fund'.

Deficit

When living costs, expenses and debts are greater than income, deficit is the shortfall.

Direct debits

Direct debits are a way of paying someone a variable amount direct from our bank account, usually on a fixed day of the month. Direct debits are ideal for bills that are a different amount each month – like telephone and power bills. They can also be used for personal savings.

Emergency fund

A sum of money set aside for use in an emergency. Sometimes referred to as a "Just in case account" it is to cover costs in case of unemployment and unexpected expenses.

Employer contributions

What our employer puts into our KiwiSaver account (if we're an employee). In addition to contributions from our wages and the government, employers are required to put in at least 3% of employees' pay (before tax).

Expenses

Outflow of money to another person or organisation to gain something. Rent is the expense we pay to gain a place to live.

Expenditure

An amount of money spent, or the act of spending money.

Fa'alavelave

The Samoan cultural practice or obligation of contributing money to large occasions, such as weddings and funerals and significant birthdays.

Fees

The costs we pay for financial services, such as credit cards, mortgages or fund management. These can be fixed (a set amount per month or for setup) or a percentage (based on the amount of funds being managed or the returns). It's important to factor these fees in when we're gauging whether a decision is worth making.

Financial experts

People with specialist knowledge of financial planning, management and products.

Financial goals

Financial goals are targets that reflect where we want to be money-wise, and driven by a specific financial need. Common financial goals are saving for a car, a home deposit, or a special event.

Financial identity

The values, knowledge, skills, and behaviours that influence how I manage money to build personal or collective wealth.

FinTech

An emerging financial services sector in the 21st century. Technology and innovation that delivers financial services in new ways.

Good debt

Money borrowed to buy goods or services that increase in value over time, such as buying a house, or paying for education.

Goods and services

Goods are items you buy, like food and clothing. Services are activities that you pay people to do for you, like a haircut or fixing your car.

HP

Hire purchase is an agreement to borrow to buy a product on credit, and we can take it home and use it while we're paying it off. With HP we usually pay a deposit followed by monthly payments (including the interest and fees charged) over a set period. HP can also be called a credit sale or a credit contract.

Income

The money that an individual or business receives for providing a good or service, or through investing capital. Income funds day to day expenditure.

Interest

Interest is the money we pay to use other people's money. If we are using the bank's money (by taking a loan), we pay them interest. If the bank is using our money (such as in a savings account) they pay us interest.

Interest rates

The amount of interest we pay on a loan or are paid for an investment, usually expressed as a percentage. Seemingly small changes in these rates can make huge differences over time.

Invest

To put money into financial assets like interest bearing accounts, shares, property or enterprise, with the expectation that they will earn income or grow in value.

Investment

The assets people invest in. Common examples are property, term deposits, shares, gold and Bitcoin.

KiwiSaver default fund

A handful of conservative funds picked by the government, for KiwiSaver members who have not yet chosen the fund that suits them best. When someone is opted into KiwiSaver, such as when they start a first job, they are automatically funnelled into one of these default funds until they actively choose the fund they want to be in.

Lender

The person or organisation that provides a loan to a borrower.

Loan

Money we borrow to use over a set period of time. To do this, we typically pay a setup fee and a certain rate of interest as we pay back the borrowed amount over time.

Loan sharks

A term used to describe moneylenders that charge extremely high rates of interest on loans, often with poor quality trading practices. Also referred to as third tier lenders.

Long term

Relates to a long period of time, usually more than a few years, and can be decades.

Lump sum

A large, one-time payment of money to pay off a debt or invest in a fund. Typically these will save us significant amounts of interest for debt or help us leap forward with investing.

Medium term

The time frame of a few months or years which lasts beyond the present time. The exact length of time depends on the nature of the activity or preferences of a person making financial decisions.

Mobile truck /Mobile truck traders

Traders who sell from large trucks in low income communities, often at prices much higher than in retail shops. They offer goods on credit at high interest rates.

Money personality

Describes your style with money, and affects your choices with money, financial life and relationships.

MTC

Member Tax Credit – the government's annual contribution to our KiwiSaver accounts, matching 50 cents for every dollar we put in, up to \$521 each year. (The term actually has nothing to do with tax).

Needs and wants

Needs are goods or services that are required to function and live. This would include the needs for food, clothing, shelter and health care. Wants are goods or services that are not necessary but that we want, like a haircut, gaming console or holiday.

Penalties

Punishment paid for breaking the law, a rule or contract. In the case of financial contracts it is typically an extra fee or charge to be paid.

Principal

The amount we borrow when we take out a loan or mortgage. Our repayment amounts are typically made up of principal plus interest.

Provider

A company such as a bank, finance or insurance company that creates and provides insurance, mortgage, banking, savings or investment products. KiwiSaver providers, who are fund managers, are an example.

Scheme

A fund or group of funds managed by a provider, such as a KiwiSaver scheme.

Short term

The idea of a short period of time. For example a short term investment might be for a period of nine months.

Student loan

The type of loan available to students to help pay for post secondary education study costs, such as tuition, books and supplies, and living expenses.

Surplus

Money left after paying living costs, expenses and debts.

Tithing

The practice of paying a tithe, which is a percentage of a person's income paid to the church - 10% is a common amount.