

# Jargon Buster

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## **Glossary of Financial Terms** ©

*The Cornerstone of  
Financial Independence  
Is Not the Privilege of the Rich...*

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*It's a Plan of the Wise* ®

Ever felt overwhelmed by all the financial jargon in the financial press, in investment articles, or when talking to financial services people?

To make life easier, this thorough and concise financial glossary explains many of the confusing and commonly used financial terms. Having this glossary will empower your ability to manage and understand how money works in the printed word.

With the Fiscal Agents Jargon Buster, you'll be better informed, in control, able to glide yourself through all the long-winded confusing terms on your time, and at your pace.



### 3 C's

Lenders look for an ability to repay debt and a willingness to do so, and sometimes for a little extra security to protect their loans. They speak of the three C's of credit: capacity, character, and collateral.

### Absorption (Real Estate)

Measures the net change in occupied space from one period to the next.

### Absorption Rate (Real Estate)

The absorption figure divided by the occupied space at the start of the period, and is expressed as a percentage.

### Accident and health insurance

Coverage that pays benefits in case of sickness, accidental injury or accidental death. It sometimes provides for loss of income or debt payment if taken out in connection with a loan.

### Account Executives

A Registered Representative, generally means any employee of a Stock Broker or Investment Dealer.

### Accounting Designation

The three major accounting designations in

Canada are:

- Chartered Accountant (CA)
- Certified Management Accountant (CMA)
- Certified General Accountant (CGA)

### Accounts Payable

The amount of money that a company owes to its creditors.

### Accounts Receivable

The amount of money that is owed to a company for goods or services that the company has sold on credit.

### Accretion (of a discount)

In portfolio accounting, a straight-line accumulation of capital gains on discount bonds in anticipation of par at maturity.

### Accrual Basis

This is a method of calculation that dictates the inclusion of earned interest or dividends whether they were received or not.

### Accrued Interest

Is the interest that has been earned but is not yet due because the interest payment date has not yet come.

## A

### Accrued Wages

Accrued wages are what a company owes to its employees, and are listed on a company's balance sheet as outstanding.

### Accumulation Plan

An arrangement which enables an investor to purchase mutual funds shares regular in large or small amounts.

### Active Investments Strategies

A method of managing a portfolio that requires regular decisions and adjustment to the portfolio by the investor. Decisions involve how much to buy, what to buy, when to buy and sell and how to reinvest.

### Actuarial Present Value

The actuarial present value is the value placed on future contingent payments and is the methodology forming the core of actuarial science. Essentially, future payments are discounted with interest and the probability the payments will occur. Assumptions must be made by the actuary as to probabilities and discount factors.

### Actuary

An actuary is a business professional with strong mathematical skills. Actuaries are generally involved in pricing insurance products and defined benefit pension plans.

### Additional Rent (Real Estate)

Includes items for which the landlord invoices the tenant in addition to the net rent. This charge typically recovers the tenant's proportionate share of building costs such as realty taxes, operating costs, and electricity (if not metered separately). Business taxes are not included in Additional Rent and other items such as "Capital Tax" may or may not be added on top of Additional Rent charges.

### Add-on option

This allows you to borrow up to 70% of appraised value of your home minus your outstanding mortgage balance.

### Adjustable Rate Mortgage (ARM)

A mortgage in which the interest rate is adjusted periodically based on a pre-selected index. Also sometimes known as the re negotiable rate

mortgage, the variable rate mortgage or the Canadian rollover mortgage.

### Adjusted balance

A method used by some credit card issuers in which they subtract all payments made during the month, then add the finance charges.

### Adjusted Cost Base

The amount needed when calculating your capital gains or losses. The amount includes commissions and other current tax considerations.

### Adjustment Interval (Real Estate)

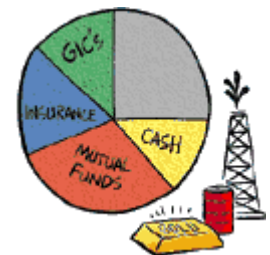
On an adjustable rate mortgage, the time between changes in the interest rate and/or monthly payment, typically one, three or five years, depending on the index.

### Administrator

An individual or trust company appointed by a proper court to administer the estate of a person who has died without leaving a valid will. If a woman is appointed, she is known as an administratrix.

### Adverse Market Conditions

Unfavorable time to Buy or Sell.



### Affinity card

A card offered by two organizations, one a lending institution, the other a non-financial group. Schools, nonprofit groups, pro wrestlers, popular singers and airlines are among those featured on affinity cards. Usually, use of the card entitles holders to special discounts or deals from the non-financial group.

### Affinity Credit Card

A credit card that has a promotion arrangement with an affiliated organization (often a charity or non-profit group). The logo of the group appears on the card and the group usually gets a percentage of the sales made on the card.

### Agent for the Executor

An individual or trust company is retained by the executor and provides administrative services and advice.

## Aggregate Demand

Is the relationship between the total quantity of goods and services demanded and the price level.

## Aggregate Supply

Is the relationship between the total quantity of goods and services supplied and the price level.

## Aggressive Investment

A volatile, difficult-to-predict investment. This type of investment can have rapid gains and loss, and normally suited for long-term holdings (10 or more years), as investors willing to accept the volatility in the value of their investments.

## AIL

Annual Information Form, provides more detailed version of the information contained in a prospectus.

## Air Miles

One of the most popular rewards issued by airline-affiliated co-branded cards. Air miles are earned with every use of the card, and then transferred monthly to the cardholder's account with that airline.

## Allowance For Doubtful Loans

The amount considered adequate to absorb anticipated credit related losses in a portfolio of loans.

## Alternative Appointment

If the first executor is unwilling or unable to act, then the alternative is contacted to perform the duty.

## Alternative Minimum Tax

The required minimum tax calculation, which ensures that high income earners will be required to pay.

## American Depository Receipt (ADR)

Issued by a U.S. bank, an ADR represents one or more units of a foreign security and is generally issued to simplify the physical handling and legal technicalities governing foreign securities issues. Australian and South African mining shares traded in the U.S., for instance, are generally in the form of ADR's.

## Amortization Period

The actual number of years it will take to repay a mortgage loan in full. This can be well in excess of the loan's term. For example. Mortgages often have five-year terms but 25- year amortization periods.

## Amortization Table

Mathematical formula for calculating a borrower's monthly payments, based on the amount borrowed, the interest rate and the term of the loan.

## Amortization

The payment of a debt in installments over an agreed-upon period, during which principal and interest are paid off.

## Amortize

Literally, to kill off, to make dead in business, it means to put money aside at intervals in order to provide in advance of maturity for the payment of a debt.

## Analyst, Security Analyst

They attempt with varying degrees of success, to evaluate the investment quality of securities that mean they must study the financial condition of companies with attention to capital structure, the amount of working capital available, prospective earning and dividends, etc. Some analysts specialize in certain industries or kinds of securities.



## Annual Fee

Most credit cards carry an annual administration fee, charges are linked to the amount of credit extended.

## Annual Percentage Rate (APR)

An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account point and other credit cost. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

## A

### **Annual Report**

Reports range from very simple to very elaborate - each year a printed report containing information about a company's financial conditions.

### **Annuitant**

An individual who purchases an annuity and will receive payments from that annuity.

### **Annuity**

A series of regular periodic payments comprising principal and interest. An annuity is a contract providing for a series of payments. In the case of retirement, an annuity is usually purchased from an insurance company who then pays the purchaser a monthly amount while still alive. Annuities may have more complicated features such as indexing, guarantee periods and benefits payable to a spouse or other beneficiary after death.

When an individual purchases an annuity, they usually pay a lump sum from their RRSP, or other source of funds, to an insurer. The insurer then takes this (premium) and divides by an annuity factor based on mortality, current interest rates and payment features.

### **Appraised Value (Real Estate)**

An estimate of the value of the property offered as security for a mortgage loan. This appraisal is done for mortgage lending purposes and may not reflect the market value of the property.

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An estimate of the value of the property offered as security for a mortgage loan. This appraisal is done for mortgage lending purposes and may not reflect the market value of the property.

### **Approval**

The acceptance by both parties are to the terms and conditions of the loan. The lender will typically send a notice of approval.

### **Approved Lender**

A financial institution that is authorized by Canada Mortgage and Housing Corporation (CHMC) to make loans under the National Housing Act. Only approved lending institutions can arrange mortgages that require mortgage loan insurance.

### **Arbitrage**

An "arbitrageur" simultaneously buys and sells a commodity or security in different markets. The term arbitrage is used for a whole string of complicated trading maneuvers, exploiting the differences in spot prices, futures prices and interest rates.

### **Arbitration**

A dispute-resolution method in which an impartial third party, agreed upon by all sides beforehand, makes a decision.

### **Arm's Length Transaction**

A transaction that is conducted as through the parties were unrelated, thus avoiding any conflict of interest.

### **Arm's Length**

1) A term used within a self-directed RRSP (mortgages) - Acting at arm's length contemplates a negotiation between parties with opposing interest, each of whom has only an economic interest in the outcome. Non-arm's length is one with a conflict of interest.

2) Acting at arm's length contemplates a negotiation between parties with opposing interest, each of whom has only an economic interest in the outcome. Non-arm's length is one with a conflict of interest.

### **Arrears:**

Are dividend or interest payments, accrued since the last payment, which are still owed but that have not been paid yet.

### **Ask Price**

A proposal to sell a specific quantity of securities at a named price.

### **Assay, Assayer**

An assay is a test of a metal in which its purity is determined: an assayer has the function of conducting this analysis and usually confirms it by marking a precious metal accordingly.

### **Assessment (Real Estate)**

A local tax levied against a property for a specific purpose, such as a sewer or street lights.



## Asset Class Performance

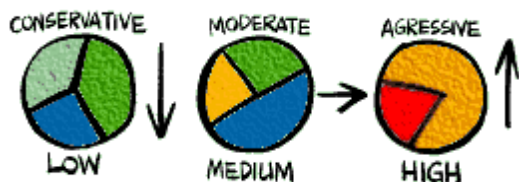
Are based on historical performance characteristics, which include the expected future return, the expected future volatility (risk) of the return, and how the returns of assets classes perform relative to each other.

## Asset Class

Asset class' typically refer to securities that have similar features. For example, bonds and stocks are the two main classes. They are then subdivided into more defined classes such as mortgages, common stock and preferred stock. Asset classes are used in the process of asset allocation to control the risk and return characteristics of a portfolio.

## Asset Mix

Percentage of net assets invested in various classes of securities, as at a particular time. A Fund's investments can change at any time.



## Asset

Something that is owned - a physical asset, such as a car or a house, or a financial asset, such as cash or a Savings Account, Guaranteed Investment Certificate, Stocks, Bonds, RRSPs , business interest, insurance policies etc.

## Asset-Backed Security (ABS)

Are bundled pools of assets that are sold as units and these units are a security that is backed by an asset. Mortgage pools were the principal forerunners of the ABS market and this is now a multi-billion-dollar market in the U.S.

## Assets

Personal possessions of value, including cash, real estate and investments. What you own or can call upon.

## Assignment

A transfer of title or interest by writing, as of lease, bond, note, or bill of exchange; a transfer of the whole of some particular estate or interest in lands. (b) The writing by which an interest is

transferred. (c) The transfer of the property of a bankrupt to certain persons called assignees, in whom it is vested for the benefit of creditors.

## Arbitration

A dispute-resolution method in which an impartial third party, agreed upon by all sides beforehand, makes a decision.

## Assumption (Real Estate)

The agreement between buyer and seller where the buyer takes over the payments on an existing mortgage from the seller. Assuming a loan can usually save the buyer money since this is an existing mortgage debt, unlike a new mortgage where closing cost and new, probably higher, market-rate interest charges will apply.

## Attribution Rule

Any taxable income or gain realized on an asset will be attributed back to the person who made the investment, regardless of who holds title to the asset.

## Audit

An examination and report usually conducted by a third party. Internal Audit may be carried out by a companies own personal.

## Authorized User

Any person to whom you give permission to use a credit card account.

## Auto Insurance Score

Like a credit score, this score is based on information found in a consumer's credit file. Insurance companies consider auto insurance scores when pricing policies. Having black marks on your credit report could really bump up your auto insurance costs. Other factors that affect the cost of your auto insurance include your age, marital status, driving record, the type of car you drive and whether you live in an urban or rural area.

## Automated Banking Machines (ABM's)

Terminals that allow customers to perform many everyday banking tasks, e.g.. deposits, withdrawals, bill payments and transfers between accounts.

## Average Daily Balance Calculation

The daily balance is multiplied by a loan's monthly periodic rate, which is calculated by dividing the annual percentage rate by 12. A loan with an annual rate of 18 percent would have a monthly periodic rate of 1.5 percent. If that loan had a \$500 average daily balance it would yield a monthly finance charge of \$7.50.

## Average Daily Balance

This is the method by which most demand loans or credit cards calculate your payment due. An average daily balance is determined by adding each day's balance and then dividing that total by the number of days in a billing cycle.

## Averages

Several averages are used to measure the performance of the stock market or a certain type of stock. An average is the average price for a collection of stocks that are typical examples of the market they represent. Some examples of averages are the TSE 300 Index, Dow Jones Industrial Average and The Russell 100.

## Back Office

The administrative department of a brokerage house.

## Back-End Load

A sales charge levied when a mutual fund units are redeemed.

## Back-End Ratio or Back Ratio

The sum of the house payment and all other monthly debt – credit cards, car payments, student loans and the like – divided by before-tax income. Traditionally, lenders were loath to extend borrowers' back-end ratios past 36 percent, but they often do now.

## Balance Sheet

One of the financial statements that appears in a Company's Annual Report Its divided into three major parts: Assets (see assets), Liabilities which include debts, taxes owing and Shareholders Equity (see equity).

## Balance Transfer Fee

The fee charged to customers for transferring an outstanding balance from one card to another.

## Balance Transfer

The process of moving an unpaid credit card debt from one issuer to another. Card issuers sometimes offer teaser rates to encourage balance transfers coming in and balance transfer fees to discourage them from going out.

## Balloon (Payment) Mortgage

Usually a short-term fixed-rate loan which involves small payments for a certain period of time and one large payment for the remaining amount of the principal at a time specified in the contract.

## Balloon Loan

A loan in which the payments aren't set up to repay the loan in full by the end of the term. At the end comes the balloon payment – one that is larger than the other, periodic payments and pays off the remaining principal.

## Balloon Payment

A loan installment that is larger than the other, periodic payments and pays off the remaining principal.

## Bank Act

Federal legislation governing how banks operate in Canada. The Bank Act was first passed in Canada in 1871 and is updated periodically - usually every 10 years. Trust and Loan companies are also legislated by both the Federal and Provincial governments.

## Bank Card

A card issued by a financial institution that identifies the holder as a customer of the institution and allows access to accounts through an ABM: also, a credit or debit card issued by a financial institution.

## Bank of International Settlements (BIS)

The BIS is an international body that promotes the co-operation of central banks, fulfills the function of a central bank's bank and acts as a clearing and settlement agent. It acts as a forum for discussion of international monetary policy and conducts research into international banking developments.

## Bank Rate

The rate of interest charged by the Bank of Canada to the chartered banks on loans made to the chartered banks. Such loans are usually only made when the banks are short of funds and cannot readily borrow them from anyone other than the Bank of Canada.

## Bank Reserves

Currency held by the chartered banks and deposits made by them with the Bank of Canada or invested in a specified manner. Reserves must, by regulation, be at least as high as a specified percentage of the total chequing, savings, and other deposit held by the banks. Funds in excess of these reserves are loaned out or invested by the banks.



## Banker's Acceptance (B.A)

A draft of bill of exchange accepted by a bank or trust company, the accepting institution guarantees payment on the bill.

## Base Rent

see Net Rent.

## Basis Point

1/100th of 1% in yield; hence 50 basis points is 1/2 of 1%.

A price expressed in terms of yields to maturity or annual rate of return.

## Bean Counter

An Accountant.

## Bear/Bull Markets

A declining market or a period of pessimism when declines in the market are anticipated (a way to remember bear down).

- **Bears:** are investors who believe interest rates are more likely to go up than down. If right the price of existing fixed-income securities such as bonds will go down.

- **Bulls:** are investors who believe interest rates are more likely to go down than up. If right the price of existing fixed-income securities such as bonds will go up down.

## Bearer Security

A security whose owner is not registered on the

books of the issuer. A bearer security is payable to the holder.

## Bearish

An attitude or indication implying that prices are likely to experience a substantial decline.

## BellCharts Quartile Ranking

A measurement of a fund's performance against mutual funds that are available in Canada and that generally have similar investment objectives.

## Bellwether Security

A particular security that is felt to be representative of the market in which it trades. Hence, movements by a bellwether are taken as an indication of the overall direction of the market.

## Benchmark

A benchmark represents the return of a passive investment strategy for a particular asset class.

## Beneficiary

One who is to receive the benefits of any type of contract.

## Bequest

A disposition of personal property by will.

## Best-Earnings Plan

A defined-benefit plan that calculating a recipient's retirement benefit based on the best-earnings of the employee career, usually over a three or five year period.

## Beta

A statistical term used to illustrate the relationship of the price of an individual security or mutual fund unit to similar securities or financial market indexes.

## Better Business Bureau (BBB)

A private non-profit organization which offers services to its members (businesses) and to consumers. The main service to consumers is a rating on a member business which reflects the number of customer complaints received (if any) and how the complaints were settled.

## Bid and Asked Prices

A bid is the price someone is willing to pay for a security; an asked price is the price at which



someone is willing to sell the security. A bid is lower than an asked, or else the security would be traded at a mutually agreeable price.

### **Binding Agreement (Insurance)**

A form of buy-sell agreement. a binding agreement is the most effective means of guaranteeing a fair price from the point of view of the deceased family or the disabled shareholder. The compulsory purchase of the deceased or selling shareholder's interest by the remaining shareholders protects the surviving or remaining shareholders in that no other parties can become involved in the business without their consent.

### **Blanket Mortgage**

A mortgage covering at least two pieces of real estate as security for the same mortgage.

### **Blended Payment**

A mortgage payment that contains both the interest and principal. The payment stays the same throughout the term, although the interest portion decreases as the principal portion increases.

### **Blue Chip**

A descriptive term usually applied to high grade equity securities.

### **Blue Sky**

To conceptualize freely.

### **Board Lot**

A standard number of shares for trading transactions. The number of shares in a board lot varies with the price level of the security. Although in most cases a board lot is 100 shares.

### **Board of Directors**

A committee elected by the shareholders of a company, empowered to act on their behalf in the management of company affairs. Directors are normally elected each year at annual meetings.

### **Boiler Room**

A term used to describe a firm using telephone salespeople to peddle securities of lesser quality or penny stocks.

### **Bond Indenture**

A legal document that outlines the agreement between and restrictions on the actions of a

lender, or set of lenders, and a borrower in a bond issue.

### **Bond Rating Agencies**

Agencies that evaluate the credit of a bond issuers and rates them accordingly. Ratings refer to the level of default risk associated with the bond. Higher ratings mean there is less chance that the issuer will default on the bond payments.

Explanation of a typical bond ratings

Agencies that evaluate the credit of a bond issuers and rates them accordingly. Ratings refer to the level of default risk associated with the bond. Higher ratings mean there is less chance that the issuer will default on the bond payments.

Explanation of a typical bond ratings:

#### **SECURE**

A++ and A+ (Superior): Assigned to companies which have demonstrated superior overall performance when compared to the standard established by the rating company. A++ and A+ rated companies have a very strong ability to meet their obligations to Shareholders/Bond holders/ Policyholders over a long period of time.

A and A- (Excellent): Assigned to companies which have demonstrated excellent overall performance when compared to the standard established by the rating company.

B++ and B+ (Very Good): Assigned to companies which have demonstrated very good overall performance when compared to the standard established by the rating company.

**VULNERABLE:** you start to get the picture after reading the above!

B and B- (Adequate)

C++ and C+ (Fair)

C and C- (Marginal)

D (Very Vulnerable)

E (Under Provincial or State Supervision)

F (in liquidation)

### **Bond Swap Strategy**

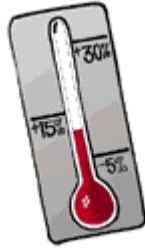
A strategy that sells long-bonds and buys short-bonds during periods of rising interest rates. It also does the opposite during periods of falling interest rates.

### **Bond Types**

We have defined the following types of bonds separately, they are shown below as Callable, Convertible, Extendable and Retractable, Foreign-pay bonds, Sinking fund bonds, Real return bonds and Zero coupon.

## Bond Yield

The return on a bond, based partly on the income received over the term of the bond, and partly on the principal repayments.



## Bond

A legal document representing a debt owed by the bond's issuer to the purchaser. Such debts usually have a stated term before the issuer repays the holder, pay interest to the holder at a rate that is fixed when the bond is first issued, and are secured by a pledge on some of the issuer's assets.

## Bonds (Callable)

Callable bonds also known as redeemable bonds, they give the issuer the right to pay off - or call - the outstanding debt after a specified date. This allows the corporation to retire high-interest debt when rates drop and borrow elsewhere. Investors are often paid a premium when bonds are called in recognition of the fact they are being deprived of future income.

## Bonds (Convertible)

Bonds that can be exchanged for a company's common shares. Convertible bonds combine the security of bonds with the opportunity to make gains from the appreciation of common stock.

## Bonds (Extend/Retract)

An extendable bond gives the holder the right to exchange the bond for a longer-term bond at the same or a higher rate of interest. A retractable bond allows the investor to redeem the bond at par earlier than the original term, For example, a 10-year could be redeemed in 5 years.

## Bonds (Foreign-Pay)

Some bonds issued by Canadian institutions are denominated in foreign currencies. Foreign-pay bonds are used to raise money in international markets. For example, bonds denominated in yen will appeal to Japanese investors, and those in U.S. dollars will appeal to Americans - or they may be bought by Canadian investors seeking exposure to foreign currencies.

## Bonds (Real Return)

The federal government issues 30-year bonds

with interest rates that are adjusted to account for inflation. The base rate is (say) 4.50% and the return is adjusted according to a formula on consumer price index.

## Bonds (Sinking Fund Bonds)

A sinking fund is a sum of money set aside, usually annually, by the issuer of a bond or debenture to be used to repay all or part of the debt by maturity. This provides added security for investors; consequently the yields on sinking fund bonds may be lower than those for other bonds. Redeemable bonds often have sinking fund provisions.

## Bonds (With Warrants)

A bond may be issued with a warrant attached. This gives the investor the right to buy a company's shares within a certain time at an attractive price.

## Bonds (Zero-Coupon)

Issued without interest coupons. They are sold at a discount to face value, with the difference between the selling price and the face value representing the investor's return.

## Book Debts

A term used in banking for trade debts or receivable normally assigned to a bank as security for a operating line of credit.

**Book Value** The supposed value that belongs to a company's owners or shareholders after total liabilities have been subtracted from total assets. Also called shareholders' equity.

## Bottom Line

A term referring to the profit/earning of a company.

## Bottom-Up

A management style that de-emphasizes the significance of economic and market cycles and focuses on the analysis of individual stocks. (See top-down)

## Breakeven Point

When the sale price of an item is equal to its accumulated acquisition cost.

## Break-Up Value

The estimated value of a business +/- after its divisions have separated and liabilities paid off.

## Bridge Financing

Interim financing of sort or another. .

## British Clearers

The large clearing banks that dominate deposit taking and short-term lending in the domestic sterling market in Great Britain.

## Broker

A broker is a financial middleman who matches investors who wish to purchase a particular investment with those who wish to sell it. For this service, the broker charges a fee or commission that is usually related to the amount of money involved in the transaction.



## Broker (Mortgage)

An individual in the business of assisting in arranging funding or negotiating contracts for a client but who does not loan the money himself. Brokers usually charge a fee or receive a commission for their services.

## Brokerage House

A company that employs individuals who act as brokers.

## Budget

Allotment of money and / or time.

## Building Class (Real Estate)

Typically real estate companies assign each office building a qualitative rating of Class 'A', 'B', or 'C'. The class ratings reflect an evaluation of the following characteristics: Age , Location,

Design, Size , Building maintenance, Building systems, Amenities and or Access. It is important to understand that the grading are both relative and subjective. They are also subject to change with time or substantial improvements. Generally speaking, however, the following statements can be made:

**Class A buildings** are considered to be above average in most or all of the rating criteria outlined above.

**Class B buildings** may score very well in some criteria, but are only adequate in others.

**Class C buildings** may offer average benefit according to some of the criteria, but are below average or completely lack other elements.

## Building Permit

A certificate issued by your municipality to the owner/contractor prior to any building is erected or repaired.

## Bull Market

A slang expression meaning an extended period of time during which the general price level of a market rose.

## Bullion

Precious metal in negotiable form; in most marketplaces a purity of .995 or finer is required. Bullion is produced in the form of bars, wafers or ingots.

## Bullish

The attitude of someone who is anticipating a bull market, or the description of an event that is supposed to cause market prices to rise.

## Business Cycle

The continuous ebb and flow of economic activity.

## Business Taxes (Real Estate)

Collected by municipalities directly from tenant. Depending on the nature of the business category firms pay the appropriate percentage of the realty tax as a business tax.

## Buy-and-Hold Strategy

Assets are purchased in a portfolio and held until maturity or until the investor's investment horizon is reached.

**Buyback**

The purchase by a company of its own securities.

**Buy-Down (Real Estate)**

When the lender and/or the home builder subsidize the mortgage by lowering the interest rate during the first few years of the loan. While the payments are initially low, they will increase when the subsidy expires.

**Buying On Margin**

Purchasing a security partly with borrowed money.

**Buy-Sell Agreement**

An agreement between shareholders or business partners to purchase each others' shares in specified circumstances.

**Call Money Rate**

The average rate of interest charged on call money.

**Call Money**

Interest bearing bank deposits that can be withdrawn on 24 hours notice.

**Call Option**

The owner of a call option has the privilege for a specified period of time of buying a particular investment security at a pre-arranged price from the person who first sold the option.

**Callable**

Preferred shares or bonds that give the issuing corporation an option to repurchase, or "call" those securities at a stated price. These are also known as redeemable securities.

**Canada Bonds**

Long-term debentures issued by the Government of Canada.

**Canada Mortgage and Housing Corporation (CMHC)**

The federal Crown corporation which administers the National Housing Act. CMHC services include providing housing information and assistance to consumers and insuring home purchase loans for lenders. The company acts as guarantor of qualified mortgages of both a commercial and residential nature.

**Canada Pension Plan (CPP)**

The Canada Pension Plan is a government program providing retirement, death and disability benefits for Canadians. Along with OAS, it makes up one leg of the retirement planning stool. Working individuals make contributions (2.7% of pay between \$3,400 and \$34,900 in 1995) which are matched by employers. In turn at retirement recipients receive a benefit of 25% of average monthly pensionable earnings adjusted for increases in the YMPE. CPP contribution rates are scheduled to double over the next 20 years. There is uncertainty as to whether those employed will be willing to pay these high contribution rates. The future of CPP benefits may be in jeopardy.

**Canada Savings Bond**

A bond issued annually by the government of Canada. It defers from other Canadian government bonds in that it can be purchased by individuals. The bond can be cashed for its face amount (plus interest, if any) at any time.

**Canadian Bankers Association**

Professional industry association that provides information, research, advocacy, education and operational support services primarily to the banking industry.

**Canadian Depository for Securities Ltd.**

Agency responsible for the automatic processing and clearing of securities transactions in Canada.

**Canadian Payments Association (CPA)**

This association, which is composed of several financial institution and the Bank of Canada, operates a national clearing system for financial-institution payments.

**Canadian Securities Administrators (CSA)**

Securities regulators oversee Canada's capital markets and advisers who sell and manage investments traded in those markets. They strive to protect investors from unfair, improper and fraudulent practices while fostering a fair and efficient marketplace. The Canadian Securities Administrators (CSA) is comprised of the 13 provincial and territorial securities regulators.

### Capacity Utilization Rate

The percentage of total available industrial capacity in the economy (plants and equipment) being used to produce goods.

### Capital Cost Allowance

A taxation term, equivalent to depreciation, that makes allowance for the wearing away of a fixed asset.

### Capital Gain

A type of profit derived by selling an asset at a higher price than that at which it was purchased. One-half of the amount is taxable as income when received.



### Capital Loss

The loss that results when a capital asset is sold for less than its purchase price.

### Capital Markets

A general term that encompasses all the various markets for financial investments.

### Capital Ratio

The percentage of total risk-adjusted assets supported by a capital base as defined by a financial institution. This type of risk weighting approach is based on a model developed by the Bank of International Settlements (BIS).

### Capital Stock

All ownership shares of a company, both common and preferred.

### Capital Structure

Various types of debt and equity capital maintained by a company. A company is considered to be more leveraged when it has more debt capital than equity.

### Capital

In an investment context, the term usually means the financial assets that an investor owns, especially cash. In an economic context, the term usually means the machinery, buildings, equipment, and inventory a company uses to produce its goods.

### Capitalization

The total amount of all securities, including long-term debt, common and preferred stock, issued by a company.

### Caps (Interest)

Consumer safeguards which limit the amount the interest rate on an adjustable rate mortgage may change per year and/or the life of the loan.

### Caps (Payment)

Consumer safeguards which limit the amount monthly payments on an adjustable rate mortgage may change.

### Career-Average Plan

A defined-benefit plan that bases a recipient's retirement benefit on the average earnings during an employee's career.

### Cash Advance

The term used when no goods or services are purchased and monies are provided in cash. Credit charges are applied the day the advance is made, whereas purchases are accounted in the normal fashion.

### Cash Cow

A division or subsidiary that makes large profits and requires little future investment.

### Cash Equivalent

Assets that can be quickly converted to cash. These include receivables, Treasury bills, short-term commercial paper and short-term municipal and corporate bonds and notes.

### Cash Flow Deficiency

More money being spent than earned.

### Cash Flow

Net income for a stated period, plus any depreciation and amortization or other non-cash deductions.

### Cash Flow (Real Estate)

The amount of cash derived over a certain period of time from an income-producing property. The cash flow should be large enough to pay the expenses of the income producing property (mortgage payment, maintenance, utilities, etc.)



## Cash Market

Also called the spot market. Purchase of goods for delivery on the spot. Commodities in these markets are the underlying assets for derivative markets.

## Cash Price

Also called "spot price". The price required for immediate settlement. The term cash or spot is used to differentiate from a futures transaction, where settlement is due at a predetermined time in the future.

## Cash Settlement

In the money market a transaction is said to be made for cash settlement if the securities purchased are delivered against payment.

**Cash Surrender Value** The amount that is available in cash for a loan and could be available for withdrawal and may reduce the death benefit and could increase the risk of lapse, or the amount of cash a person may obtain by voluntarily surrendering a life insurance policy.

## Cash Turnover

The number of times a profit is made using the same \$ within a year.

## Cashable Guaranteed Investment Certificates

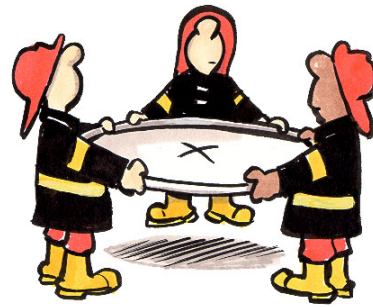
A type of debt security sold to individuals by banks and trust companies. Are designed to be cashed before the specified redemption date, and pay interest at a fixed rate. The rate is normally lower than non-Cashable GICs.

## Cash-Value Life Insurance

Combines basic life insurance protection with tax-deferred investing. The larger portion of your annual premium pays for insurance, while a smaller amount goes into the policy's investment or cash-value account. Your investment earnings accumulate free of taxes until you withdraw them, it may take over 10 years or more for the tax-deferral benefits to overcome the drag of the commissions charged by insurers.

## CDIC

CDIC is a Government Agency that provides Deposit Insurance through member financial institutions. e.g. Banks, Trust and Loan Corporations.



## Ceiling Price

A maximum allowable price regulated by government.

## Central Bank

The agency that serves the financial arm of a country's government. Usually such an agency is responsible for monitoring and controlling the growth of the money supply, and maintaining order in the bond and money markets, as well as overseeing international trading in the country's currency.

## Certificate of Appointment

A document issued to an executor by the court, that confirms the executor's authority to administer a particular estate. This document is also known as Letters Probate or Grant of Probate.

## Certificate of Deposit (CD)

The CD is a security issued by a bank stating that it has borrowed money from you and will pay it back with interest at a certain time. Large denomination CD's are typically negotiable.

## Certificate

A document providing evidence of ownership of a security such as a stock or bond.

## Certified Financial Planner

An individual who has passed the Canadian Institute of Financial Planner and has a sound general knowledge of personal and corporate finance.

## Chartered Banks

Financial institutions regulated under the Bank Act. Chartered banks are designated as Schedule I or Schedule II, depending on their ownership.

## Chattel

Personal property other than interest in land.

## Chequing Account

An account at a bank, trust company, loan association or credit union on which there is normally no interest paid, but against which cheques may be written.

## Chequing Savings Account

An account at a bank, trust company, loan association or credit union on which there is no interest paid, but against which cheques are drawn.

## Chinese Wall

A term used to describe a invisible dividing line between two companies controlled by a common parent, when the engaged in activities that would normally be deemed to in conflict of interest.

## Churning

The act of a broker buying and selling a investors securities for the commission revenue, for his own gain and if the investor gains, more the better.

## CIPF

Canadian Investor Protection Fund. A contingency fund set up by the Investment Dealers Association (IDA) and several Canadian stock exchanges to protect investors against loss up to certain maximum amounts resulting from the bankruptcy of a member firm.

## Clawback

This term refers to the amount of Old Age Security (OAS) payments that are repaid through a special tax on high income pensions.

## Clearing & Settlement (Banks)

The process whereby banks collect or pay out items drawn on or paid into accounts in their institution. This process enables banks to accept each other's cheques and bank drafts for deposit. The CPA operates Canada's clearing system.

## Closed Mortgage

A mortgage agreement which does not provide for prepayment prior to maturity. A lender may permit prepayment under certain circumstances but will levy a prepayment charge for doing so.

## Closed-End Fund

A fund company that issues a fixed number of

shares. Its shares are not redeemable, but are bought and sold on the stock exchange or the over-the-counter market.

## Closely-Held Corporation

Generally refers to a private corporation with very few shareholders.

## Closing Costs

Are all the addition fees and expenses associated and due on the closing date, such as legal fees, disbursements. E.g.: prepaid property taxes/condo fees, real estate fees.

## Closing date

The date on which the sale of a property becomes final and the new owner takes possession.

## Closing Out

Liquidating or offsetting an existing long or short future position, also known as "exiting".

## CMHC

Canada Mortgage & Housing Corp.

## Co-Branded Credit Card

An alliance between a card issuer and a large no-profit-taking corporation which offers discounts/rewards to cardholders for using the card that bears the corporation's name.

## Codicil

An instrument in writing executed by a testator for adding to, altering, explaining or confirming a will previously made by the testator; executed with the same formalities as a will; and having the effect of bringing the date of the will forward to the date of codicil.

## Collateral Mortgage

A loan backed up by a promissory note and the security of a mortgage on a property. The money borrowed may be used for the purchase of the property itself or for another purpose, such as home renovations or a vacation.

## Collateral Trust Bonds

Secured by other securities but not property.

## Collateral

Assets pledged as security for a loan. If the borrower defaults on payment, the lender may

dispose of the property pledged as security to raise money to repay the loan.

### **Comfort Letter**

An accountant's opinion that a financial statement appears to be correct.

### **Commercial Banking**

Banking services for small and medium-sized businesses, such as franchising, leasing and cash management services.

### **Commercial Paper**

An unsecured promissory note with a fixed maturity of no more than 270 days. Commercial paper is normally sold at a discount from face value.

### **Commitment Period**

This is the amount of time allowed to "locking in the mortgage amount", on transferring the mortgage to another institution or a new application or renewal.

### **Commodities**

The raw materials of commerce, such as fuels, metals and food products.



### **Commodity and Foreign Exchange Futures**

A formal contract, traded in the same manner as a security, wherein the seller agrees to deliver a fixed quantity of a particular commodity (grain, gold, potatoes, cocoa, etc.) or a foreign currency to the purchaser at a specified date.

### **Common Disaster (Insurance)**

An event, or series of events, causing the death of both spouses within a specified amount of time.

### **Common Equity (Shares)**

A generic term describing stocks that represent ownership of a company and carry voting privileges in its affairs. The instruments have no security against assets, have no fixed terms of repayment and pay no fixed dividends.

### **Commute Value**

The commuted value of a benefit refers to how much a benefit is worth today. Commuted values express the lump sum value of some sort of promised benefit, usually from a defined benefit pension plan. The commuted value takes into account the benefits, interest and mortality (if any).

### **Competitive Advantage**

The resources that differentiate a business from its competitors.

### **Compliance Officer**

A person employed by a firm to make sure that employees follow internal and or securities industry rules.

### **Compound Interest**

The total return produced by having interest and the reinvestment of interest added to the capital amount outstanding.

### **Compound Return**

The increase in wealth that results from reinvestment, for example if \$1,000 were invested in a savings account at 7% interest compounded annually, at the end of the year there would be \$1,070. If the \$70 interest were withdrawn from the account, there would be no compound return as there would be no reinvestment. If the \$70 were left in the savings account along with the original \$1,000 investment for another year, 7% interest would be earned on the \$1,070 total. This would produce a final amount after two years of \$1,144.90.

### **Comprehensive General Liability Insurance**

A broad liability insurance policy designed to protect you from a wide range of liabilities risks, including product and professional liability.

## **Concept Company**

An idea company listed on a minor stock exchange.

## **C**

### **Conditional Offer / Sale**

Is when you make the offer or sale subject to specified conditions, for example, "Subject to financing" most condition would have a time attached e.g. say 30 days.

### **Condominium**

A form of ownership in which the owner has title to a housing unit and also owns a share in the common elements (such as elevators, hallways, and perhaps the land).

### **Confidentiality Agreement**

A legal document where one party pledges to keep secret certain information that is to be placed in his control.

### **Conglomerate**

A large group of companies spanning different industrial or business activists, controlled by a single entity.

### **Conservative-Investment**

This is a relatively stable and predictable investment that usually features a specific (or limited) gain or loss.

### **Construction Loan (Interim Loan)**

A loan to provide the funds necessary to pay for the construction of buildings or homes. These are usually designed to provide periodic disbursements to the builder as he progresses.

### **Construction Loan**

A short-term interim loan for financing the cost of construction. The lender advance funds to the builder at periodic intervals as the work progresses.

### **Consumer Debt**

This term applies to debt incurred for consumable or depreciating assets that aren't considered investments. Items include credit card debt, store-financed consumer purchases, car loans, family loans that will be repaid, etc.

### **Consumer Price Index**

The statistical device that measures the change

in the cost of living for consumers. It is used to illustrate the extent that prices have risen or the amount of inflation that has taken place.

### **Contingency**

Making arrangement's for a unknown situation, may be positive or negative E.g. Contingency fund - Moines set aside as insurance for a possible future problem that can be solved with a cash payment.

### **Contract (Trading)**

The basic unit in derivatives trading. With stocks, a contract usually represents 100 shares of the underling security.

### **Contractual Price**

A term used in the financial markets. An arrangement whereby an investor contracts to purchase a given amount of security by a certain date and agrees to make partial payments at specified intervals.

### **Contrarian**

An individual who's opinion is the opposite of any generally accepted idea.

### **Contributed Surplus**

That portion of shareholder's equity shown on the balance sheet that comes from the sale of stock by the company at prices above the stated par value.

### **Conventional Mortgage loan**

A mortgage loan up to the maximum of 75% (some cases 95%) of the lending value of the property. Mortgage loan Insurance is not required on conventional mortgages, notwithstanding the obligations and covenants impose the borrower to make payments on certain date and at set amounts.

### **Convertible Bond**

A bond issued by a corporation that can be converted into a pre-arranged number of shares of stock by a specified date or set of dates or under defined circumstances.

### **Convertible Mortgage**

A mortgage loan that can be changed from an open to a closed mortgage within prearranged and defined circumstances. E.g. within one year to a five year closed.

## Convertible Term Insurance

This type of insurance can be exchanged (converted), at the policy holders option, without evidence of insurability, for a permanent insurance policy.

## Convertible Term

Term life insurance which can be converted to any permanent or whole life policy without evidence of insurability, subject to time limitations.

## Co-Operative

A form of ownership in which the owner has a share in the co-operative which actually owns the property. The individual owner has the right to live in a housing unit but does not own the actual unit.

## Core Asset

An asset not considered dispensable, the main business activity undertaken by a company, also called "strategic asset". A non-core asset is described as no longer essential to the company's basic business.

## Corporate Banking

Banking services for large firms.

## Corporate Profits

A rise or fall in profits can affect the amount of capital available for business spending and expansion, so profitability is a closely watched indicator.

## Corporation

A legal business entity created under federal or provincial statutes. Because the corporation is a separate entity from its owners, shareholders have no legal liability for its debts.

## Correction In The Market

A significant drop in the value of the stock market.

## Correction

A market correction is usually a sudden temporary decline in stock or bond prices after a period of market strength.

## Correspondent Bank

Usually a bank located in a foreign country with whom a domestic bank transacts commercial

business, and to whom the domestic bank will refer customers for banking services in that country.

## Cosigner

Another person who signs your loan and assumes equal responsibility for it.

## Coupon Rate

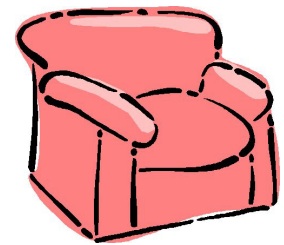
The interest rate payable to the bond holders. Bond Interest is usually paid on a semi-annually basis.

## Coupon vs. Yield

The coupon on a bond is literally the portion of a certificate that is clipped (detached) and presented for payment when interest is due but the coupon also is used as a term for the rate of interest a bond pays. Yield is the current return on a bond in the market. As market conditions change, yield on the bonds rise or fall. If a bond bought at par, then the yield and the coupon rate are the same. But if the yield falls, the price of the bond must rise. And rising yields mean falling prices.

## Coupon

In common usage, the percentage of a bond's issuer in a year. For example, a 9% coupon on a \$1,000 bond is worth \$90 a year. On some types of bonds, the coupon is also the little rectangle piece of paper that must be detached from the bond certificate and cashed at a bank or trust company on or after the appropriate payment date in order for the interest to be paid.



## Covariance (Volatility Measure)

This is a measure that reflects both the variance (volatility) of a stock's returns and the tendency of those returns to move up or down at the same time relative to other stocks (their correlation). This is a way to see if two stocks tend to move up or down together and also see the size of those movements.

## Cover Put Writer

A person who is a seller/writer of a put option who owns an equivalent number of puts on the same underlying interest with an expiration equal to or longer than the Puts sold.



**Cover**

A action taken by an uncovered Option writer or other individual investor' to deposit a letter of credit issued by an approved financial institution to guarantee the investor's /Option writers short position, or provide securities or cash to the investment dealer/Bank/broker.

**CPI**

Consumer Price Index. An index compiled by Statistics Canada showing the cost-of-living changes during a specified period of times.

CPP contribution rates are scheduled to double over the next 20 years. There is uncertainty as to whether those employed will be willing to pay these high contribution rates. The future of CPP benefits may be in jeopardy.

**CPP**

Canada Pension Plan. Provides benefits to Canadians in the event of death, disability or retirement. To be eligible for benefit a person must have made contributions to the plan for a specified minimum period.

**Credit**

The right granted by a creditor to pay in the future to buy or borrow in the present; a sum of money due a person or business.

**Credit Bureau**

An agency that keeps your credit record; also called a credit-reporting agency.

**Credit Counseling**

This type of organizations is not the same as Credit Repair Clinics, and can offer you professional advice on how to improve your credit practices.

**Credit File**

Your credit file is created when you first borrow money or apply for credit. On a regular basis, companies that lend money or issue credit cards to you - including banks, finance companies, credit unions, retailers - send specific factual information related to the financial transactions they have with you to credit reporting agencies.

**Credit History**

The record of how you've borrowed and repaid debts.

**Creditor**

A person or business from whom you borrow or to whom you owe money.

**Credit Insurance** Health, life, accident, or disruption of income insurance designed to pay the outstanding balance of debt.

**Credit Inquiry**

An "inquiry" shows the name of the company or individual who has requested your credit file. Each inquiry is listed on the credit file so that you know who has obtained a copy of it. In addition to checking your file when you first apply for credit, credit grantors typically request regular updates of your credit file after an account has been opened, when it is being renewed or for limit increases. These are listed as "update" inquiries in a separate section of your credit file. They are for your information only and are not displayed to other credit grantors.

**Credit Loss**

A loan receivable that has become uncollectable and is written off.

**Credit Rating**

Every piece of credit history information in your credit file is assigned a rating by the credit grantor. The most common ratings are "R" ratings. These are known as North American Standard Account Ratings and are the most frequently used. The "R" indicates that the item being described involves revolving credit. If you always pay on time, it will be coded an R1. If an amount was written off because you never paid it back, it is coded R9. The R ratings are a coding system that translates "on time", "one month late", "two months late", etc., into two-digit codes

**Credit Repair Clinic**

A independent business that offers for a fee to fix my poor credit rating. However, credit granters state that only responsible credit practices over time can improve a poor credit history.

**Credit Score**

A numeric value assigned by credit grantors to indicate how likely someone is to pay back a loan

or credit card according to the agreed repayment terms. It is an indicator of the level of risk that a borrower might represent. It is used as a predictor of future performance. Credit grantors often use an automated scoring process to help make that risk assessment.

### Credit Scoring System

A statistical system used to rate credit applicants according to various characteristics relevant to creditworthiness.

### Credit Union

Are community based financial co-operatives. Owned and controlled by members who are also shareholders. Most offer full financial services, mortgages through savings accounts.

### Credit/Debt Cards

Cards such as Visa and Mastercharge allow the holder to charge purchases rather than pay cash. Debt Cards allow the cost of the purchase to be automatically deducted from the customer's bank account and credited to the merchant.

### Creditor

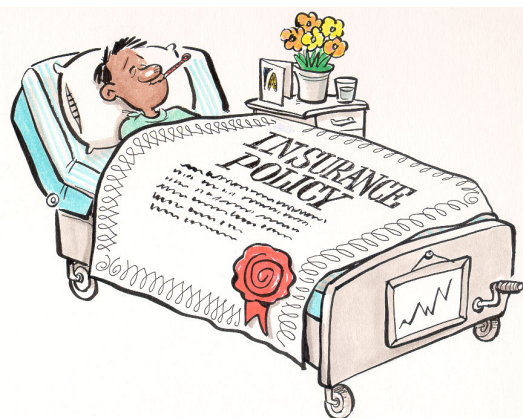
A person or business from whom you borrow or to whom you owe money.

### Creditworthiness

Past, present and future ability to repay debts.

### Critical Illness Insurance

A form of health insurance that provides payments to replace income when an insured person is unable to work as a result of a critical illness.



### Cross Rates (Foreign Exchange)

Foreign Exchange values between major trading

countries-currencies traded in futures markets around the world. Financial Institutions and corporate treasurers can hedge currency risk.

### Currency Options

Also known as foreign-exchange options, currency options on the CDN\$ trade on U.S and foreign exchanges. Option on other major currencies are traded around the world.

### Current Account (Canada)

The accounting of Canada's international dealings. The bottom line is a net number after accounting for exports, imports, flows of investment funds, tourist travel and certain transfers in or out of the country such as pension payments to Canadians living abroad.

### Current Account

A type of bank account normally use for business, a chequing account that bears no interest.

### Current Assets

Assets appearing on a company's balance sheet that can be converted into cash or used in production within a short period, usually one year.

### Current Issue

In treasury bills and notes, the most recently auctioned issue. Trading is more active in current issues than in off-the-run issues.

### Current Liabilities

The liabilities appearing on a company's balance sheet that are expected to be paid or otherwise extinguished in a short period, usually one year.

### Current Maturity

Current time to maturity on an outstanding note, bond or other money market instrument; for example, a 5 year note 1 year after issue has a current maturity of 4 years.

### Current Ratio

Current assets compared to current liabilities. A term used to indicate liquidity.

### Current Service Contribution

Contribution made to a pension plan by an employer and based on the benefit earned in the current year.

## D

### **Current Yield**

Coupon payments on a security as a percentage of the security's market price. In many instances the price should be gross of accrued interest, particularly on instruments where no coupon is left to be paid until maturity.

### **Custodian/Guardian**

A person legally responsible for overseeing the care and affairs of a minor or an incompetent person. Another term used in this situation is Guardian.

### **Custodian**

A financial institution, usually a bank or trust company, that holds a person or company's cash, securities in safekeeping.

### **Cyclical Companies**

Companies that report strong earnings when the overall economy is doing well and weaker earnings when the economy is in a recession.

### **Cyclical Stock**

Stock in an industry that is particularly sensitive to swings in economic conditions, such as forestry or mining.

### **Dealer**

A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

### **Debenture**

Debentures are similar to bonds, but typically not secured by the pledge of specific corporate assets. They may, however, be secured by a "floating charge" on the issuer's assets generally.

### **Debenture (Guaranteed under CDIC)**

A debenture is the instrument a mortgage loan company or a savings and loan company issue. Debentures have stated maturity dates and rates of interest. They are insured up to the \$60,000 limit with Canada Deposit Insurance Corp. the same way GICs are insured by trust companies.

### **Debt Capacity**

An assessment of a person or firm's ability and willingness to repay a loan from anticipated future income or cash flow of other sources.

### **Debt Cards**

A card that allows the cost of a purchase to be automatically deducted from the customer's bank account and credited to the merchant.

**Debt Financing** The raising of capital through the creation of corporate debt by issuing a form of document (bond, note, debenture) evidencing the amount owned and payable on specified dates or on demand.

### **Debt Issues**

The issuance of bonds or other forms of debt on the public markets.

### **Debt Markets**

That sector of the capital markets devoted to trading debt securities issued by corporations and governments.

### **Debt Securities**

IOU's created through loan-type transactions - commercial paper, Bank CD's, bills, bonds, debentures, GICs, term deposits.

### **Debt Security**

A general term embracing all legal documents that represent a debt between two parties in a form that can be transferred from one holder to another. See also bond and money market.

### **Debt**

An obligation to repay a sum of principal, plus interest. In corporate terms, debt often refers to bonds or similar securities.

### **Decreasing Term**

Insurance benefits reduced monthly or yearly with the premium remaining constant (In standard policies, premiums increase and benefits remain constant.)

### **Deed Of Conveyance**

A signed document outlining the terms of a property grant, including a description of the sellers, the buyer and any interest being transferred.

### **Deed**

The legal document signed by both the purchaser and vendor that transfers ownership. The deed is registered at the local land registry office as evidence of ownership.

## Deemed Disposition

Is when CCRA deems that you have disposed of all your assets on your death and that any capital gains would be then deemed realized and tax would therefore be due.

## Default

A borrower defaults on his obligations when he fails to make a required payment of principal or interest at a specified time.

**Demand Line of Credit/Loan** A line of credit that enables a customer to borrow on a daily or on demand basis. Credit cards are a prime example. A demand loan must be repaid in full on demand.

## Depreciation

It is a bookkeeping entry representing the decline in value of an asset that is wearing out.

## Default

Failure to repay as agreed. To fail to pay an outstanding debt.

## Deferral

A form of tax sheltering that results from an investment that offers deductions during the investor's high-income years, and/or postpones capital gains or other income until after retirement or during another period when the income level is expected to change.

## Deferred Annuity/RRIF

An annuity or RRIF under which income payments to the annuitant commence some time after the date it is purchased. A registered retirement income fund (RRIF) is an investment vehicle used to produce income in retirement. Generally RRIFs are established by transferring money from an RRSP into the RRIF.

Income paid at some future time, usually upon retirement or termination of employment.

## Deferred Profit Sharing Plan

A plan that allows an employer to set aside a portion of company profits for the benefit of employees. A corporation makes a contribution to the plan on behalf of an employee.

## Deferred Sales charge (DSC)

An amount paid by the investor at the time of redemption of a mutual fund. The percentage

used to calculate the amount decreases the longer the investor holds the shares or units, eventually reducing the amount to zero.

## Defined Benefit Pension Plan

A defined benefit pension plan is a pension plan, generally sponsored by an employer, that promises to pay a certain benefit at retirement. Most (DB) plans have a benefit based on a flat amount (\$20 per year of service), on career earnings or on final earnings. These plans may be contributory or non-contributory.

## Defined Contribution Plan

A pension plan under which employer and employee contributions are fixed and the pension is based on these contributions.

## Deflationary

A situation where the general price level of goods and services is declining.

## Delivery Month

This term is used by futures traders to describe the contract of a specific commodity with the nearest possible date. The "deliver month" is also frequently called "spot month".

## Demand Curve

A graph that illustrates the relationship between the quantity demanded and price.

## Demand Line of Credit/Loan

A line of credit that enables a customer to borrow on a daily or on demand basis. Credit cards are a prime example. A demand loan must be repaid in full on demand.

## Demographics

The characteristics of a human population such as age, sex and income used for market research, sociological analysis and other such purposes.

## Denomination

The principal amount, or value at maturity, of a debt obligation. Also known as the par value or face value.

## Deposit Broker

A person or corporation that acts as agent for a Trust Company or Bank selling Guaranteed



Investment Certificates, Term Deposits and RRSPs.



## Deposit Insurance

The Canada Deposit Insurance Corp. insures depositor's funds to a maximum of \$60,000 per depositor, per institution.

## Deposit (Real Estate)

Money that is placed "in-Trust" by the purchaser at the time an offer is made. The money is held by the real estate firm or Lawyer until the sale is closed.

## Depreciating Capital Assets

Assets which decrease in value over time.

## Depreciation

Charges made against earnings to write off the cost of a fixed asset over its estimated useful life. Depreciation does not represent a cash outlay.

## Derivatives

Financial contracts whose values are derived from an underlying asset, index or reference rate, such as interest rates, foreign exchange rates, or equity or commodity prices. Derivative can be used to manage financial risks and consist of:

-**Interest rates swaps:** A contract between two parties to exchange a stream of interest rate payments, such as fixed rate payments for variable rates payments, on a specified notional value for a pre-determined time period.

- Swaps that have been entered into, but for which interest rate payment streams have not commenced by year-end, are referred to as forward starting swaps.

-**Interest rate caps and floors:** Option contracts for specified periods, based on interest rates, for which a cost (premium) is settled in advance. In

the case of a cap, the agreement places a maximum on the cost of interest rate borrowings. In the case of a floor, the agreement places a minimum on the yield of interest rate investments.

-**Forward rate agreements:** A contract for payment or receipt of interest on a specified principal to be settled at a future date. The settlement amount is the difference between the contracted rate of interest and the market rate.

-**Foreign exchange forward contracts:** A contract to buy or sell a fixed amount of foreign currency on a specified date at a set rate of exchange.

-**Index-linked call option:** The right but not the obligation to buy on or before a specified date, an underlying notional amount at a contracted price based on a stock market index.

## Devise

A disposition of real estate by will.

## Direct Costs

Actual dollars that must be spent.

## Direct Debt

A means of authorizing recurring payments (e.g. mortgage payments, insurance premiums) to be drawn on an account.

## Direct deposit/Direct Funds Transfer (DTF)

A means of authorizing payment made by governments or companies to be deposited directly into a recipient's account. Used mainly for the deposit of salary, pension and interest cheques.

## Direct Placement

Selling a new issue not by offering it for sale publicly but by placing it with one or several institutional investors.

## Disability Insurance

Insurance that is designed to replace earned income in the event that accident or illness prevents you from pursuing your livelihood.

## Discharge

Pay off. To repay a debt in full.

## Discount Bond

A bond selling below par.



## Discount Securities

Non interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value. E.g. Canadian and U.S. Treasury Bills.

## Discount/Rate

The amount by which an investment sells below its face amount. If indicated as a rate, it's a rate of return used to convert a monetary sum, payable or receivable in the future, and shown as a present value.

## Disposable Income

Is defined as total consumer income less taxes and government transfers.

## Distribution History

Per unit dollar figure representing accrued capital gains and dividends paid out annually, or on a year-to-date basis.

## Distributions

Payments from the fund that may include dividends from capital gains or earnings from sale of securities with the fund's portfolio holdings and/or return of capital. A distribution is made by cash or by investing in additional units/shares via a Dividend Reinvestment Plan (DRP). Funds are required to distribute capital gains (if any) to unit/shareholders at least once per year. Payments to investors by a mutual fund from income or profit realized from sales of securities.

## Diversification

The investment in a number of different securities. This reduces the risks inherent in investing. Diversification may be among types of securities, companies, industries or geographical locations. You can't count on the stock market alone to make you rich - especially if your money is in just one stock or even just in Canada. You can't count on your house to fund your retirement. Various economic conditions lend themselves to different weighting.

## Dividend Gross-Up

The adjustment to dividend amounts used to calculate tax credit. Dividends paid by Canadian corporations are subject to a dividend gross-up of 25%. There is a combined federal & provincial tax credit of about 25% on the amount of the dividend. The dividend gross-up is amount added

to the actual dividend when calculating the dividend tax credit (1997).

## Dividend Record Date

The date on which the list of shareholders entitled to receive a dividend is fixed. Investors who purchase shares after this date will not be entitled to receive the dividend.

## Dividend Re-investment Plan

A Plan that allows shareholders to purchase more shares from dividends rather than receiving the dividend as income.

## Dividend Tax Credit

An income tax credit available to investors who earn dividend income through investment in shares of Canadian corporations.

## Dividend Yield

The current yield on a stock based on the dividend paid.

## Dividend (Insurance)

A return of part of the premium on a participating insurance that's based on the life insurance company's investment, expense, and mortality experience. Dividends are not guaranteed.

## Dividends

Dividends are the share of a company's stock. Not all profits are paid in dividends; some are usually reinvested in building up the operations of the company, with the intention of producing additional future profits.

## Documentary Credit

Written undertaking by a bank on behalf of an importer authorizing an exporter to draw drafts on the bank up to a specified amount under specific terms and conditions. Some times known as commercial letter of credit

## Dollar Cost Averaging

A principle of investing which entails the use of equal amounts for investment at regular intervals in the hope of reducing average share cost by acquiring more shares in periods of lower securities prices and fewer shares in periods of higher securities prices.

## Domicile

The "official" residence of an individual. For

insurance contracts, the province of domicile determines under which provincial laws the deceased estate will be probated. Everyone has a "domicile of origin" until they adopt a "domicile of choice".

### Donee

A person or entity receiving a Gift (from a donor) or in relation to a power of attorney, the party whom Authority has been granted.

### Donor

A person or entity making a Gift (to the donee) or in relation to a power of attorney, the party whom authority has been granted.

### Double-Up Payment

You can Double-up your interest and principle mortgage payments any month or every month.

### Dow Jones Industrial Average (DIJA)

The weighted average price of 30 blue chip U.S. stocks listed on the New York Stock Exchange.

### Down Payment (Real Estate)

The amount of money (in the form of cash) put forward by the purchaser. Usually, it represents the difference between the purchase price and the amount of the mortgage loan.

### DPSP

Deferred Profit Sharing Plan. A plan which an employer may institute on behalf of employees to allow deferment of taxes on profit distribution to the employees.

### Due Diligence

A term and process used to Identify any risks and issues relating to a proposed transaction. Process of systematically evaluating all information, and verify that it is, what is proposed to be.

### Durable Goods

Orders for durable goods-products expected to last more than three years, such as business machinery and major household appliances. Retail sales of durable goods to consumers are another leading indicator. Because such purchases can be put off during bad times, any increase reflects a changing trend in consumer spending.

### Earning Statement

A financial statement showing the income and expenses of a business over a period of time. Also known as an income statement or profit and loss statement (P&L).

### Earnings Per Share

Total net profits divided by the number of outstanding common shares.

### Earnings

The total net profits earned by a company. Total sales less cost of sales and operating expenses, including interest and income tax.

### Easement

The right to use another persons land for a specific purpose, such as public utilities or a driveway.



### Econometrics

A branch of economic forecasting in which computers are used to produce detailed and, supposedly, internally consistent economic forecasts based on a mathematical description of the economy.

### Economic Cycle

Economic events are often felt to repeat a regular pattern over a period of anywhere from two to eight years. This pattern of events ends to be slightly different each time, but usually has a large number of similarities to previous cycles.

## Economic Expansion

A period of increasing economic activity and rising prosperity.

## Economic Forecast

A prediction of the nature and pace of economic events, usually for a period of about one year into the future.

## Economic Indicators

They are divided into three categories - lagging, coincident and leading.

1. **Lagging indicators:** Arrive after the fact.
2. **Coincident indicators:** Indicators describe current conditions
3. **Leading indicators:** Forecast changes in the economy

## Economics of Scale

The possibility of spreading costs among a greater number of transactions, inputs, etc. that reduces the overall cost of production.

## Economics

The study of how people use scarce resources to satisfy unlimited wants.

## Effective Annual Interest Rate

The rate that is actually earned by the end of a year.

## Effective Interest Rate (Real Estate)

A variable interest rate translated into the rate that would be paid if the interest was compounded on a semi-annual basis.

## Effective Tax Rate

The percentage of total income paid in federal and provincial income taxes.

## Efficient Market

The market in which all the available information has been analyzed and is reflected in the current stock price.

## Encumbrance

A registered claim of a debt against a property. A mortgage is an encumbrance.

## Endorse

To sign the back of a cheque in order to cash it.

## Equity (Real Estate)

Equity is the difference between the price for which a property could be sold and the total debts registered against it.

## Equity Buy-back

The capacity of a company to reacquire a percentage of investors ownership, usually at a predetermined amount.

## Equity Financing

Equity financing by a corporation is obtaining of funds by selling stock. It is so called because stock represents ownership, interest or equity.

## Equity Shares (Credit Union's)

Membership shares and investment shares. Adult members must purchase up to say \$50. of membership shares to be a member of the Credit Union. Funds invested in these shares are not guaranteed a The Credit Union Insurance Corporation.

## Equity

Equity is the difference between the price for which a property could be sold and the total debts registered against it. Funds invested by a company's owners in its operations. Also, another word for stock.

## Equivalent Taxable Yield

The yield on a taxable security that would leave the investor with the same after-tax return he would earn by holding a tax-exempt security; for example, for an investor taxed at a 50 % marginal rate, equivalent taxable yield on a tax-exempt note issued at 3% would be 6 percent.

## Escalator Guaranteed Investment Certificates (GIC)

A type of debt security sold to individuals by banks and trust companies. They usually cannot be cashed before the specified redemption date, and pay interest at a fixed rate. The interest is different each year throughout the term normally on an upward trend. For comparison against a normal GIC you need to know the blended rate.

## Escrow (Mortgage)

Funds that are set aside and held in trust, usually for payment of taxes and insurance on real property. Also deposits held pending loan closing.

## Escrow Receipt

A certificate issued by an approved depository (usually a financial institution) to clearing corporation on behalf of an investor evidencing ownership of the underlying Call /interest/stock//bond. Upon assignment of that property, the approved depository agrees to deliver the underlying property to the clearing corporation against the aggregate assignment value.

## Estate Freeze

A legal procedure that limits the growth in value of the freezer's estate. This is done by diverting the growth to the subsequent generation.

## Estate Planning

The orderly arrangement of one's financial affairs to maximize the value transferred at death to the people and institutions favored by the deceased, with minimum loss of value because of taxes and forced liquidation of assets.



## Estate

All assets owned by an individual at the time of death. The estate includes all funds, personal effects, interest in business enterprises, titles to property, real estate and chattels, and evidence of ownership, such as stocks bonds and mortgages owned, and notes receivable.

## Euro Canadian Dollars

Canadian dollars deposited in Canadian bank branch or a foreign bank located outside Canada.

## Euro Certificates Of Deposits (CD's)

CD's issued by a bank branch or a foreign bank located outside of Canada. Almost all EURO CD's are issued in London (U.K.).

## Euro Currency Deposits

Deposits made in a bank or bank Branch.

## Euro Pounds (Sterling)

English pounds (Sterling) deposited in a English bank branch or foreign bank located outside the UK

## Euro U.S. Dollars

U.S. dollars deposited in a U.S. bank branch or a foreign bank located outside the United States.

## Eurobonds

Bonds issued in Europe outside the confines of any national capital market. A Eurobond may or may not be denominated in the currency of the issuer. Canadian dollars deposited in a London bank are EURO Canadian dollars, German marks deposited there are EURO marks.

## Evidence of Insurability

A statement or proof of a person's physical condition, occupation, etc., affecting acceptance of the applicants for insurance

## Exchange For Physicals (EFP)

An EFP is a trade between two parties in which one party is a buyer of physical (lets say gold) metals and the seller of the equivalent in the form of futures contract, and the other party is the seller of the physical metals and the buyer of the same quantity in the form of a futures contract.

## Exchange Privilege (Swaps)

The ability of a shareholder to transfer investments from one mutual fund to another within a "family" of funds managed by the same company. This exchange may or may not be accompanied by a transaction fee which is based on the asset value of the transfer.

## Exchange Traded Funds (ETFs)

Exchange Traded Funds are funds that are based on a specific market index or sector, but that trade on the stock exchange like any company share. Unlike regular open-end mutual funds, ETFs can be bought and sold at any point in the trading day. They can be sold short and bought on margin, so they behave more like a stock than a traditional mutual fund.

## Ex-Dividend

The description of a stock after a dividend record date has passed.

**Execution**

The actual transaction to purchase or sell a security.

**Executor/Executrix**

The person named in a will to manage the estate of the deceased according to the terms of the will. Without a Will the function is performed by and administrator.

**Executor**

The person named in a will to manage the estate of the deceased according to the terms of the will.

**Exit Options**

If so expressed, a variety of options that the investor can exercise to recover their invested capital and the return on their investment.

**Expected Return**

The overall profit that you might expect to receive from your investment - either as income, in the form of interest or dividends, or as capital gains (or losses) resulting from changes in the market value of the security. In theory the higher the expected rate of return of a security, the greater the risk. The estimated return on an investment calculated by examining returns based on the likelihood of different outcomes

**Expiry Date**

The Futures and options contracts have an end date and the most active trading period usually is within 90 days of expiry. For most exchanges traded securities, this date is on the third Friday of the month.

**Export Credit**

Insurance to cover political and/or commercial risks of selling goods or services in foreign markets.

**Export Financing**

Financing products offered by Banks and Government agency to support the activities of Canadian companies expand into foreign markets, consisting of loans, guarantees, letters of credit, insurance.

**Extendable and Retractable**

An extendable bond gives the holder the right to exchange the bond for a longer-term bond at the same or a higher rate of interest. A retractable bond allows the investor to redeem the bond at par earlier than the original term, For example, a 10-year could be redeemed in 5 years.

**Extraordinary Profits**

Profits derived from events not considered part of normal business operations, and hence, not representative of a company's normal earning power.

**Face Amount**

The amount stated on the face of the insurance policy. Special provisions could increase this amount, such as "accidental death" or through the application of policy dividends.

**Face Value**

The stated nominal value of a security, so called because it is usually the value printed on the face of the legal certificate.

**Factoring**

A type of financial service whereby a corporation sells of transfers title of its accounts receivable to factoring company normally at a discount which then acts as the principal owner of the recallable not as an agent.

**Fair Market Value**

The price a willing buyer would pay a willing seller if neither was under any compulsion to buy or sell. The standard at which property is valued for deemed disposition.

**Family Trust**

An inter vivos trust established with family members as beneficiaries.

**Fiduciary**

An individual or institution occupying a position of trust. An executor, administrator or trustee, hence, "fiduciary" duties.

**Federal Reserve**

The central bank of the United States. The Fed - A slang expression referring to the U.S. Federal Reserve Bank.



## **Fiduciary**

An individual or institution occupying a position of trust. An executor, administrator or trustee, hence, "fiduciary" duties.

**Final Expenses** Expenses incurred at the time of a person's death. These will include the funeral costs, outstanding bills or debts, taxes and expenses associated probating a will.

## **F**

## **Finance Canada**

Federal department responsible for Canada's economic performance and regulation of financial institutions.

## **Finance Charge**

The total accumulated interest charges that the account attracts, plus any transaction fees.

## **Financial Instrument**

A general term for stocks, bonds, money market paper and currencies.

## **Financial Intermediaries**

Corporations that receive savings and investment funds from individuals and invest them in capital market securities. Examples would include chartered banks, trust companies, life insurance companies, mutual funds, and pension funds.

## **Financial Margin**

Interest income earned on loans and investments less interest paid on deposits and other financing costs.

## **Financial Planner**

A person who helps you plan and carry out your financial future.



## **Financial Statements**

A set of records summarizing the financial state of affairs of a corporation. Usually produced for shareholders and investors.

## **First Mortgage Bonds**

Bonds issued by a corporation that are backed by the first claim on the proceeds from the sale of a specific asset or set of assets in the event that the company is liquidated.

## **First Mortgage**

The mortgage agreement which has first claim on the asset in the event of default.

## **Fiscal Agent**

A company or individual empowered to act on behalf of a corporation or government in arranging its financial affairs.

## **Fiscal Drag**

A term used to describe a climate where there is little government spending to encourage growth in an economy. Usually occurs as a result of high deficits that require a reduction in government spending.

## **Fiscal Policy**

The policy pursued by government to manage the economy through its spending and taxation powers.

## **Fixed Assets**

Assets of a long-term nature, such as land and buildings

## **Fixed Income Fund**

A fund whose assets are invested in preferred shares, bonds and mortgages.

## **Fixed Income Investments**

Investments that generate a fixed amount of income that does not vary over the life of the investment.

## **Fixed Liability**

Any corporate liability that will not mature within the following fiscal period. For example, long-term mortgages or outstanding bonds.

## **Fixed Term - Annuities**

Fixed Term Life Annuity: An annuity under which payments are guaranteed for the life of the

annuitant.

A series of regular periodic payments comprising principal and interest. An annuity is a contract providing for a series of payments. In the case of retirement, an annuity is usually purchased from an insurance company who then pays the purchaser a monthly amount while still alive. Annuities may have more complicated features such as indexing, guarantee periods and benefits payable to a spouse or other beneficiary after death.

### **Fixed-Period Withdrawal Plan**

A plan through which the mutual fund investor's holdings are fully depleted through regular withdrawals over a set period of time. A specific amount of capital, together with accrued income, is systematically exhausted.

### **Fixed-rate Mortgage**

A mortgage loan for which the rate of interest is fixed for a specific period of time (the term)

### **Fixings (gold)**

In the London Bullion market, the price at which dealers transact gold and silver with each other is fixed. In case of gold, the market participants get together twice every day for a "fixing", while similar procedure takes place one a day for silver. The London fixing are quoted and observed around the world as important indicators of the market trend.

### **Flat**

"Being flat", or "Flat position" refer to a trader's net position in a commodity, meaning that his books show no holdings or liabilities.

### **Floating-rate Mortgage**

Another term for variable- rate mortgage.

### **Floating-Rate Note/Interest**

A note that pays an interest rate tied to current money market rates. The holder may have the right to demand redemption at par on specified dates. Floating interest Rate, is a rate that fluctuates with general market conditions

### **Flow Through Shares**

A share that entitles its owner to claim certain deductions or credits that would otherwise only be available to the company. These deductions or credits are "flowed through" to the investors, as if

the investor had directly been involved in specific company activities. These shares make sense where the investor will realize a larger benefit from the deduction and credits than the company would.

### **Fluctuation**

A variation in the market price of a security.

### **Fool's Gold**

Iron pyrite is often mistaken for gold. The qualities of gold and iron pyrite are quite different: real gold is soft and malleable, the false version is hard and brittle.

### **Foreclosure**

A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.

### **Foreign Exchange Forward Contracts**

A contract to buy or sell a fixed amount of foreign currency on a specified date at a set rate of exchange.

### **Foreign Exchange Rate**

The price at which one currency trades for another.

### **Foreign Exchange Risk**

The risk that a long or short position in a foreign currency might, due to an adverse movement in the relevant exchange rate, have to be closed out at a loss. The long or short position may arise out of a financial or commercial transaction.

### **Foreign Investments**

These (RRSP) type investments can be in the form of stocks and/or bonds of non-Canadian companies.

### **Forward Rate Agreements**

A contract for payment or receipt of interest on a specified principal to be settled at a future date. The settlement amount is the difference between the contracted rate of interest and the market rate.

## Forward Starting Swaps

See derivatives (swaps).

## Four Nines

The finest gold bullion or gold coinage available is the gold with a fineness of .9999, or as the experts call it. "Four nine fine gold".

## Four Pillars

A term used to describe the main types of financial institutions: banking, trust, insurance and securities.

## Fraud Alert

A statement is added to your file to alert credit grantors that you may be a victim of fraudulent activity.

## Free Floating Currency

A currency that is valued in open markets based on the country's economic and political outlook, rather than being fixed or tied to any other currency.

**Front-End Fees** Fee that are charged to arrange a loan or other financial arrangements.

## Front-End Load

A sales charge levied on the purchase of mutual fund units.

## Full-Service Brokerage

Full-service brokerage is the most traditional type of brokerage. It offers advice on building portfolios, on the types of securities to buy and sell, and asset allocation. In general, full-service brokerages charge higher commissions in exchange for this advice.

## Fund Manager

A person who manages the assets of an investment.

## Fund Number

Number assigned to each Fund for the purpose of placing instructions to purchase, redeem, or transfer Fund units.

## Fundamental Analysis

A method of evaluating the future prospects of a company by analyzing its financial statements. It may also involve interviewing the management of the company.

## Funds Under Administration

The deposits and loans administered or held by an Financial Institution.

## Future Value

The amount of to which a series of payments will accumulate towards a future date, or if compounding with an positive/discount interest factor. (See "compound interest and market value adjustment".)

## Futures Contract

A agreement to buy or sell an asset at a specified price an a specified date

## Futures Market

A market in which contracts for future delivery of a commodity or a security are bought and sold.

## Futures Options

Options on futures contracts for commodities, currencies, stock indexes and other instruments ate listed on North American commodities exchanges.

## Futures

A contract traded on a recognized exchange in which the seller agrees to deliver a specified commodity or financial instrument at a future date at a specified settlement price. A risk in the futures market is that the seller must pay the price of the underlying security on settlement date, which may be substantially greater than the price on the date on which the contract was sold. Futures are traded on a wide range of farm products, all the basic industrial metals, financial markets indexes and on several common interest-sensitive instruments, such as benchmark bonds, bankers acceptances notes and treasury bills.

## GDP

Gross Domestic Product. A measure of a country's total output of goods and services.

## Generally Accepted Accounting Principles (GAAP)

Conventions, rules and procedures that define accepted accounting practices in Canada.

## Gift

An asset transferred without legal considerations. If the grantor and beneficiary are non-arm's

length, the grantor may have to pay assessed capital gains on the fair market value of the gift.

## Gold Standard

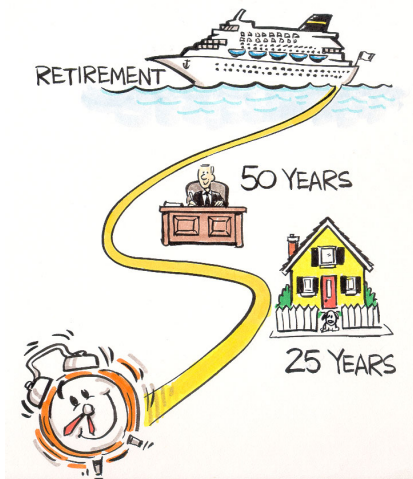
A monetary system based on convertibility into gold, e.g. a nation issues paper currency and fully backs it in gold. The two "moneys" are gold and paper, are then freely interchangeable in terms of each other.

## Goods and Services Tax (GST)

GST is a value-added-tax levied on all goods and services sold in Canada. Goods and services are currently taxed at a rate of 7 per cent of their cost.

## Goodwill

The dollar amount over and above the value of the tangible assets when a business is sold as a going concern.



## Governing Law

Refers to the laws by which the contract and agreement's are established and will be enforced.

## Grace Period

Usually occurs at the start of a loan period, normally associated with credit card services. Length of time during which repayments of loan principal are excused.

## Grace Period (Insurance)

A period of time after the due date of a premium during which the policy remains in force without penalty

## Grantor

The person establishing and transferring assets to a trust or individual, also known as the settlor.

## Gross Debt Service Ratio (GDS)

The percentage of gross annual income required to cover payments associated with housing (mortgage principal and interest, taxes, secondary financing, space heating, and 50% of condominium fees, if applicable). Most lenders prefer that the GDS be no more than 30%.

## Gross Domestic Product (GDP)

This is the most frequently used measure of Canada's overall economic performances. It's the sum of all the goods and services produced in the economy. A change in GDP represents growth or contraction of the economy.

## Gross Domestic Product (Nominal)

The total value of production is the nominal GDP. Comprehensive figures are published every three months, and are adjusted to smooth the effects of seasonal changes in the economy. A separate monthly series of seasonally adjusted GDP accounts provide a more frequent monitor of the activity

## Gross Domestic Product (Real GDP)

Is a calculation of national accounts that is adjusted for inflation so that it measures the volume of production, rather than the value.

## Gross Effective Rent (the landlord - Real Estate)

Calculated by combining the net effective rent with the building's quoted reality taxes and operating expenses. (See net effective rent)

## Gross Effective Rent (to tenant - Real Estate)

This is the annualized "all-in" average rent to be paid by the tenant over the term. To calculate, divide the total present value cost of occupancy by the area. Take the present value per square foot and amortize it over the term of the lease at an appropriate discount rate. The monthly payment multiplied by 12 is the gross effective rent on the lease. The (GER) can be used to compare scenarios whose lease terms are not exactly the same.



## Gross Income

Income before taxes including wages, income from investments, monetary gifts, and liquid assets.

## Gross National Product (GNP)

At one time, GNP was the conventional measure of economic expansion. The major difference between the two yardsticks are that GDP does not include returns from Canadian investments abroad, but does include the returns from foreign capital invested here. GNP includes goods and services produced by Canadians abroad, but doesn't include returns to non residents from Canadian investments in other countries.

## Gross Spread

The difference between the price that the issuer receives for its securities and the price that investors pay for them. This spread equals the selling concession plus the management and underwriting fees.

## Grossed-Up Dividend

Dividends paid by a Canadian corporation to an individual are increased by one-third in calculating income for tax purposes. Individuals are then allowed a 20% dividend tax credit on the grossed-up dividend against total taxes payable. If you receive a cash dividend of \$750, it will be grossed up to \$1000, and you will receive a \$200 reduction in your federal tax and \$50 to \$80 in provincial tax payable.

## Group Insurance

A form of insurance designed to insure classes of persons rather than specific individuals.

## Growth Stock

The common equity of a company that consistently grows significantly faster than the economy.

## Guaranteed Income Supplement

The amount payable to low income earners who are recipients of the OAS.

## Guaranteed Interest Annuities (GIA)

A type of debt security contract sold to individuals by life insurance companies. Much like the GIC, it carries deposit insurance. Comcorp is the name of the industry insurance scheme. GIAs are

offered in both redeemable and non-redeemable formats, and pay interest at a fixed rate.

## Guaranteed Investment Certificates (GIC)

A type of debt security sold to individuals by banks and trust companies. They usually cannot be cashed before the specified redemption date, and pay interest at a fixed rate.



## Guaranteed Term

The length of time for which annuity payments are guaranteed. If the annuitant dies before the specified term, payments to the beneficiary will continue until the term ends.

## Guarantor

A third party who agrees to repay any outstanding balance on a loan if you fail to do so. A guarantor is responsible for the debt only if the principal debtor defaults on the loan.

## Guardianship Provisions

Are used to designate who will physically care for a child should the parents die, and typically found in a will. Legal advice is recommended and the successor designates should be unable and willing to become the guardian.

## Harmonized Sales Tax (HST)

The sales tax structure in Nova Scotia, New Brunswick, and Newfoundland. Implemented on April 1, 1997, it combines each province's provincial sales tax (PST) with the federal Goods and Services Tax (GST).



## Hedge

As an example transaction by a consumer or producer of a metal designed to protect him against price fluctuations. A consumer of platinum, for instance, may "hedge" against a possible price increase by buying enough metal to cover his needs in the form of a futures contract. Futures markets were originally for hedges, as opposed to speculators, by whom the market is now used predominantly.

## Heir

A person legally entitled to receive property from a deceased through inheritance.

## High-Ratio Mortgage

A conventional mortgage loan which exceeds 75% of the appraised value or purchase price of the property. This mortgage must be insured.

## Holograph Will

A last will and testament written completely in the person's own handwriting, signed at the end by the person writing the Will. Witnesses are not required for it to be considered legal.

## Home Banking

A way to access bank accounts by phone or by computer (EDI). Typically customers can transfer funds, pay bills and make account inquiries.

## Home Equity Loan

A home equity loan is a line of credit secured by your home. Also called an "equity loan" or a "second mortgage," the Bank gives you the line of credit and places a second mortgage loan on your home until the debt is paid off. Once the debt is paid off, you can apply again for something else.

## Household Income

Household income, is a combination of income from all household members that are working.

## Hypothecation

The pledge of property (real estate) and/or assets to secure a loan. Hypothecation does not transfer title, however it does provide the right to sell the pledged property in the event of default.

## Identify Fraud

When somebody has lost or had your personal

identification stolen and is being used to obtain goods or services illegally.

## IFIC

Investment Funds Institute of Canada. The mutual fund industry trade association set up to serve its members, co-operate with regulatory bodies, and protect the interest of the investing public that use mutual funds as a medium for their investments.

## Illiquid Investment

An illiquid investment is any investment that may be difficult to sell quickly at a price close to its market value. Examples include Stock in private unlisted companies, commercial real estate and limited partnerships.

## Illiquid

The description of a security for which it is difficult to find a buyer or seller.

## In-Advance / Arrears

Payments due at the beginning if in-advance or at the end of a period that you are paying for. Rent is paid in advance. Mortgage calculations are normally not-in-advance, meaning they are calculated and applied at the end of the period. E.g. six months not-in-advance.

## Inclusion Rate

The rate (shown as a percentage) used to determine "taxable capital gains" and "net capital losses" If you have losses, you can use them to reduce gains in preceding years or in any future years.

## Income Attribution

Is the process specified under the Income Tax Act where certain investment income may be deemed taxable to a person other than the recipient, if the investment income was the result of certain transaction between family members.

## Income Averaging Annuity

A special type of annuity to spread the impact of income tax on certain types of taxable lump sum receipts.

## Income Producing Property

Property or real estate which produces an income, such as rent property, interest or dividends.

## Income Splitting

The process of diverting taxable income from an individual in a high tax bracket to one in a lower tax bracket.

## Income Statement

A financial statement that shows the components of profit, such as sales, expenses, taxes, and net profit.

## Income Stocks

Stocks that have a consistent, stable, above-average dividend yield.

## Incorporation

The legal process of creating a corporation by which an association or group of individuals becomes a legal entity, with limited liability.

## Indenture of a Bond

A legal statement spelling out the obligations of the bond issuer the future course of the economy. Hence, such an index is felt to rise in advance of a period of economic growth and fall prior to a recession.

## Index

A statistical yardstick, determined by tracking the ups and downs of a particular market by monitoring a group of securities over time.

## Indexed Plan

A benefit plan whose level of benefits is related to a recognized index.

## Index-Linked Call Option

The right but not the obligation to buy on or before a specified date, an underlying notional amount at a contracted price based on a stock market index.

## Index-Linked GIC

A Guaranteed Investment certificate that pays no interest but the return on the investment is linked to the stock market. Some link the return to the TSE 35 or TSE 100. The final return is the index gain plus averaging in the final year.

## Indirect Financing

The process whereby funds flow from savers to financial intermediaries and then to borrowers.

## Inflation Risk

The uncertainty that the return on investment will be low enough to result in a negative, real, after-tax rate of return; a situation described as a decrease in purchasing power.



## Inflation

A condition of increasing prices. In Canada, inflation is generally measured by the Consumer Price Index (CPI).

## Informal Trust

Also known as in-trust account or "bare" trust, this is an investment account registered in an adult's name in trust for a child. The account is used to save/invest funds for a child, and the funds must be reserved for and used by the beneficiary child.

## Inside Information

News that is not yet publicly available of events concerning a security or the issuer of a security.

## Insolvent

You are insolvent if you have debt obligations in excess of \$1,000 and are unable to meet your obligations as they come due, have ceased making payments, or have debts due and accruing which exceed the value of your assets.

## Institutional Investors

The financial intermediaries who invest the funds of individuals and corporations. Examples of such investors would be banks, trust companies, mutual funds, insurance companies, and pension funds.

## Instrument

Another word for security.

## Insurability

The acceptability to the insurance company of an application for coverage

## Insurance (Life)

Life insurance is one way to provide financial security for you, your dependents or business partners.

- **Term Insurance:** This is a life insurance pure and simple. You choose the number of years (the term) you are insured and the amount your

survivors get if you die within that term. The term you choose can be for a given number of years, for example 10 or 20, or up to a certain age, for example 65 or 100. The main features of term-to-100 policy are: 1. Fixed premiums, 2. Fixed death benefits, 3. No cash value.

- **Permanent Life Insurance:** The most common types are whole and universal. Both offer lifetime protection. Renewal is not necessary as long as you pay the premiums. Some of the main features of each:

- **Whole Life:** 1. Fixed premiums, 2. Fixed death benefits, 3. Fixed cash value

- **Universal Life:-** 1. Flexible premiums, 2. Flexible death benefits, 3. Cash value (depends on how the premiums have been invested) 4.

Policyholder directs where the premium funds are invested.



### **Insured or Insured Life**

The person on whose life the policy is issued

### **Insurer**

A group or agency that shares another party's risk in return for the payment of a premium.

### **Inter Vivos Trust**

A trust created while the person making the trust is still alive.

### **Inter Vivos**

From the Latin for "between living persons," usually refers to a trust established during the lifetime of the person setting up the trust (the "settlor"), as opposed to a "testamentary" trust in a will which takes effect only at death.

### **Interac Direct Payment**

Canada's largest shared network of ABMs. It

allows cardholders to access their accounts from any ABM on the network regardless of which financial institution owns the machine.

### **Interest Adjustment Date (I.A.D.) (Real Estate)**

A date, usually one month before regular mortgage payments begin, when interest on monies advanced before that time is calculated and must be paid by the borrower

### **Interest Expense**

Is the interest paid on money borrowed to earn investment income.

### **Interest Rate Caps and Floors**

Option contracts for specified periods, based on interest rates, for which a cost (premium) is settled in advance. In the case of a cap, the agreement places a maximum on the cost of interest rate borrowings. In the case of a floor, the agreement places a minimum on the yield of interest rate investments.

### **Interest Rate Options**

Options on three-month bankers' acceptances notes and long-term government of Canada bonds trade on the Montreal Exchange.

### **Interest Rate**

A fixed, specified ratio of compensation paid to a lender by a borrower on the amount loaned.

### **Interest Rates Risk**

Is the uncertainty in the direction of interest rates. Changes in interest rates could lead to capital loss, or a yield less than that available to other investors. Putting at risk the earning capacity of capital.

### **Interest Rates Swaps**

A contract between two parties to exchange a stream of interest rate payments, such as fixed rate payments for variable rates payments, on a specified notional value for a pre-determined time period. Swaps that have been entered into, but for which interest rate payment streams have not commenced by year-end, are referred to as forward starting swaps.

### **Interest**

The fee charged for the use of money supplied by a lender.

## Internal Rate of Return (IRR)

Any IRR calculation must be based on continuous compounding, Thus the Internal rate of return of an investment, is the growth rate of the money over a time period relative to the amount invested. IRR, which compares the profit to the amount invested, and is expressed as a percent gain or loss for easy comparison with other percent changes for the same time period.

## Intestacy Laws

The provincial laws governing distribution of the assets of a person who dies without a will.

## Intestate

Not having made and left a valid will. The term is also used to refer to a person who dies without leaving a valid will.



## Intrinsic Value

The amount by which the price of a warrant or call option exceeds the price at which the warrant or option may be exercised.

## Inventory (Real Estate)

Real Estate firms provide statistics that include all office building in (say Toronto) with greater than 20,000 sq. ft. of office space. This includes multi-tenant, single user, and government facilities. The same type of statistics are available on residential real estate.

## Inventory Liquidation

The sale of business inventories with the express purpose of reducing the size of such inventories.

## Investment Advisor

Investment counsel to a mutual fund. Also may be the manager of a mutual fund.

## Investment Banker

A firm that engages in the origination, underwriting, and distribution of new issues.

## Investment Company

A corporation or trust whose primary purpose is to invest the funds of its shareholders.

## Investment Considerations

Choosing which investments are right for you will depend on a number of factors:

- **Your Primary Goal** - Is it to have your money readily accessible, to have a dependable source of regular income, or to build your assets over time? Each type of investment fulfills a different need.

- **Your Time Horizon** - When will you need the proceeds of your investment? If it's in a few months or years, short-term cash or income investments should be considered. With a long term horizon, you may want to add growth investments to the mix.

- **Your Risk Tolerance** - Growth investments with a higher level of risk will generally pay higher return, but if your nest egg and peace of mind are key, investments with safety of principal may be the answer. (See Risk Tolerance)

## Investment Counselor

A person who, for a fee, advises you on which investments you should make.

## Investment Dealer

A company that acts as a middleman in the capital markets by buying and selling securities with its own funds, and then filling sale or purchase requests from its own security holdings. A dealer will also act as a broker, but a broker may not necessarily be a dealer.

## Investment Fund

A term generally interchangeable with "mutual fund".

## Investment Strategy

The method used to select which assets to include in a portfolio and to decide when to buy and when to sell those assets.

## Investor Profile

Generally 3 different types of investors, conservative, moderate and aggressive. Factors such as age, years to retirement, accumulated savings and risk tolerance determine one's profile

## IPO

Initial Public Offering.

## Irrevocable Beneficiary

A beneficiary that cannot be changed without that beneficiary's consent





### **Issue (Estate)**

All those who are descended from common ancestors. The first generation are normally referred to as children.

### **Issue**

A set of securities sold at on time for a specific purpose by a company or a government.

### **Issued Shares**

The number of securities of a company outstanding. This may be equal to or less than the number of shares a company is authorized to issue.

### **Joint Account**

An agreement between two or more people to share a bank account or investment registration or the risk and financing responsibility in purchasing or underwriting securities.

### **Joint and Last Survivor**

1) A type of annuity that pays benefits until both annuitant and the annuitant's spouse die.  
2) The Banking industry will register a Guaranteed Investment Certificate with the same type of effect, the certificate is with the words "JTWSR" (Joint Tenants With Rights to Survivor) allows the full ownership to be transferred to the other registered person named on the note.

### **Joint Tax Return**

A tax return filed by two people, usually spouses

### **Joint Tenants with Right of Survivorship**

A type of account registration on a GIC, term deposit or joint bank account. On the death of one account holder, ownership of the account

assets is transferred to the remaining holder or holders.

### **Joint Venture**

An agreement between two or more business's or individuals to undertake the same business strategy and plan of action

### **Junior Debt (Subordinate Debt)**

Junior debt is defined as those (stakeholder) holders have a claim on the firm's assets only after senior debt holder's claims have been satisfied.

### **Junk Bomb**

A junk bond in an investor's portfolio when bankruptcy happens.

### **Junk Bond**

A bond which pays an unusually high rate of return to compensate for a low credit rating

### **Know Your Client Rule (KYC)**

The rule that recognizes the fiduciary duty of the investment advisor to understand the client's investment objectives and make appropriate recommendations for investments.

### **Labour-Sponsored Venture Funds**

Venture capital corporation's established by unions, managed by investment managers subject to government regulations

### **Ladder Approach**

A method involving purchase of several investments, each with a different maturity date, to reduce inflation, interest rate risk and default risk for fixed income investment.

### **Late Charge**

The lender may impose a its minimum fee for a late payment. If delinquency is a common occurrence the lender may impose its maximum charge (\$100.)

### **Law of Demand/Supply**

Demand- as the price of goods or services falls, quantity demanded rises. Supply - as it increase, quantity supplied rises.

### **LBO - (Leverage Buyout)**

Are deals in which a company is bought with a lot of borrowed money frequently raised through



selling high-yield and high-risk junk bonds.

### **Leasehold Mortgage**

A mortgage loan for the purchase of a home or improvements to a home where the building is on land which is leased (rented).

### **Leasing Activity (Real Estate)**

Real estate companies calculate leasing activity from the unit turnover on its database and from information compiled by the research department and from the local the real estate boards. Whereas absorption reflects growth, leasing activity indicates the volume of business in a given market. Sale activity uses the same premise.

### **Lessee/Lessor**

**Lessee**- the holder of a leasehold estate (also called a tenant)

**Lessor** - the grantor of a leasehold estate (also called the landlord)

**Leasehold estate** - The interest in land for a definite period of time, such as one year or one hundred years.

### **Letter of Credit**

A written undertaking from a bank guaranteeing payment.

### **Letter of Intent**

A document or agreement whereby one party is agreeing to perform a function e.g. an investor agrees to make series of purchases of mutual funds.

### **Letters of Administration**

A certificate confirming the authority set out in the will to administer a particular estate, issued to an administrator by the proper court.

### **Letters Probate**

A certificate of authority to administer a particular estate, issued to an executor by a proper court.

### **Level Playing Field**

A competitive arena in which no player has an unfair advantage.

### **Level Premium**

Life insurance premiums that remain the same year over year.

### **Leverage**

The use of borrowed money to buy more of an asset than would otherwise be possible in order to increase the potential profit earned on that asset.

### **Levered Investment**

An investment bought using leverage (see leverage).

### **Levy Execution**

A procedure whereby a sheriff can seize your property and sell it to recover the judgment for outstanding debts incurred by the previous owner.

### **Liabilities**

What you owe, or what is owed by the deceased or the estate.

### **Liability Risk**

The risk that the legal system may assess punitive damages against you if property damage or personal injuries can be attributed to your carelessness or negligence.

### **LIBOR**

The London Interbank Offered Rate on Eurodollar deposits traded between banks. There is a different LIBOR rate for each deposit maturity. Different banks may quote slightly different LIBOR rates because they use different reference banks.

### **Lien**

A claim upon a piece of property for the payment or satisfaction of a debt or obligation.

### **Life Annuity (With a Guaranteed Term)**

An annuity with a special clause that guarantees payments will continue for a specified period, even if the annuitant dies before the end of the term.

### **Life Annuity**

An annuity under which payments are guaranteed for the life of the annuitant.

### **Life-Cycle**

This refers to the different stages in life.

## Life-Cycle Planning

Financial needs that change according to your personal situation. The 3 stages are Accumulation, Growth and income , and retirement.

## Life Estate (Insurance)

Title to a property only for the duration of the life of some specified party. A life tenant is the holder of a life estate.

## Life Expectancy Adjusted Withdrawal Plan

A plan through which a mutual fund investor's holdings are fully depleted while providing maximum periodic income over the investor's lifetime.

## Life Expectancy

Life expectancy represents the average future time an individual can expect to live. To perform this calculation assumptions are made as to the mortality table the life will follow. Life expectancies have been increasing steadily over the past century and may continue to increase in the future. As people are living longer the cost of retirement is increasing.



## Life Income Fund

A RRIF that receive funds from a locked-in retirement account that provides a life income by restricting the maximum withdrawals from the plan based on the equivalent payments from an annuity.

## Life Insurance

Life insurance is a policy agreement (contract) between you and an insurance company. You agree to pay a specified amount (premium) to the company for the policy coverage, and in return, the company agrees to pay you or your beneficiaries based on the terms of the policy. Most life insurance is designed to provide funds to your heirs in the event of your death.

## Life Long Learning Plan

The LLP allows you to withdraw money from your RRSPs to pay for your own education or your

spouse's or common-law partner's education. If certain conditions are met, you do not have to pay tax on the money when you withdraw it and you can pay back the money to your RRSPs over a 10 year period.

## Lifestyle Expenditures

The cost you incur to sustain your lifestyle, including the money you spend on housing, food, clothing, household expenses, transportation, insurance, entertainment and gifts. Also included are the interest charges associated with financing a major capital purchase such as a house or a car. Lifestyle expenditures do not include income tax expense or any capital transactions.

## Limit Order

When you tell your broker to try to buy or sell at a certain price, e.g. sell at the best price but no less than X.

## Limited Liability

The legal protection accorded to shareholders of an "incorporated" company.

## Line of Credit

An arrangement by which a bank agrees to lend to the line holder during some specified period any amount up to the full amount of the line.

## Liquid Assets

Cash and marketable securities.

## Liquidate

In investment terms, to sell. In corporate terms, the termination of a company's business operations and sale of the company's property, equipment, and other assets. From the proceeds of such liquidation, debts are repaid and capital is returned to shareholders.

## Liquidity Planning

Ensuring that sufficient cash or cashable assets are available to meet your needs for cash.

## Liquidity Risk

In banking, risk that monies needed to fund assets may not be available in sufficient quantities at some future date. Implies an imbalance in committed maturities of assets and liabilities.

## Liquidity

A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.



## Living Will

If you become incapacitated this document will preserve your wishes and act as your voice in medical decisions, if you are unable to speak for yourself as a result of medical reasons.

## Load Fund

A mutual fund that charges a commission to purchase its shares.

## Loan (Policy Loan)

A loan made by the life insurance company from its general funds to a policy owner on the strength of the cash value if a policy.

## Loan Agreement

A contract between a lender and a borrower in which the terms and conditions are recorded.

## Loan-To-Value Ratio

The ratio of the loan to the appraised value or purchase price of the property, whichever is less, expressed as a percentage.

## Locked In (or locked-in")

Locked-In is a term associated with funds in an RRSP or RRIF.

Funds are termed locked-in when they may only be used to produce retirement income. Locked-in funds generally arise when an individual transfers the commuted value of benefits earned under an employer sponsored pension plan to an RRSP or RRIF. In this situation, the benefits earned under the pension plan were for retirement, so the government forces the commuted value to be used for retirement benefits by locking them in. Even if you want to withdraw locked-in funds prior to retirement to purchase a home or cottage, buy a boat, pay for school etc. you cannot. The locked-in amounts may only be used for retirement income.

## Long (term) Bonds

Bonds with a long current maturity, usually exceeding 10 years.

## Long Coupons

(1) Bonds or notes with a long current maturity.

## Long-term Fixed Assets

The term is applied to assets having a useful life longer than one year

## Macroeconomics

Looking at the economy as a whole, particularly the interaction of its various components with one another.

## Make A Market

A dealer is said to make a market when he quotes bid and offered prices at which he stands ready to buy and sell.

## Managed Investment Fund

A specific pool of money that is invested by an institutional investor or a professional investment manager.

## Management Expense Ratio

A measure of the total costs of operating a mutual fund as a percentage of average total assets.

## Management Fee

The sum paid to the investment company's advisor or manager for supervising its portfolio and administering its operations.

## Mandate

A term used in Quebec that describes the function of a Power of attorney

## Margin (Mortgage)

The amount a lender adds to the index on an adjustable rate mortgage to establish the adjusted interest rate.

## Margin Account

A special account set up by a broker for a client who wants to buy and sell securities using margin.

## Margin Call

A call from a broker to a client asking for more

money to back up a security purchased on margin when such a security has declined in value. If more money is not supplied, the security is usually sold by the broker.

## Margin

The amount of money supplied by an investor as a portion of the total funds needed to buy or sell a security, with the balance of required funds loaned to the investor by a broker, dealer, or other lender.

## Marginal Income Tax Bracket

Canada operates under a graduated income tax system, which means the tax rate increases as income rises. The marginal income tax bracket is the rate at which your next dollar of income will be taxed. For illustration let's say, you earned \$30,000 in 1998 you would pay 17 per cent of your income in taxes; if you earned \$30,001 your marginal income tax bracket would jump to 26 per cent of your income.



## Marginal Tax Rate

The tax rate that would have to be paid on any additional dollars of taxable income earned.

## Margined Stock

A stock that has been purchased using leverage.

## Market Bottom

The time when a category of securities, such as stocks, are felt to have reached their lowest

prices as a group for an extended period of, say, three or four years. Usually measured by the lowest level of an index that indicates what is happening within that market, such as the Dow Jones Industrial Index.

## Market Capitalization

Market capitalization is the amount of money someone would have to pay to buy the company. To calculate market capitalization, multiply the total number of a company's shares by the current price per share. For example, if a company has 10 million shares, and the current price is \$20 per share, then the company's market capitalization is \$200 million (\$20 x 10 million).

-**Large cap** is a company with over \$1 billion in market capitalization

-**Mid cap** has between \$500 million and \$1 billion

-**Small cap** has less than \$500 million.

## Market Index

A vehicle used to denote trends in securities markets. The most popular in Canada is the Toronto Stock Exchange 300 Composite Index (TSX 300) see TSX.

## Market Order

An order to buy at the lowest price going, or sell at the highest price possible. (See Limit order)

## Market Price

In the case of a security, market price is usually considered the last reported price at which the stock or bond is sold.

## Market Risk

The uncertainty of economic, social; or political events that would result in an investment's decrease in value. Since these events usually affect the entire market, market risk is called systematic risk.

## Market Sector

A group of securities traded in the same market and sharing similar characteristics, such as being issued by a single issuer or set of issuers.

## Market Share

A portion of the total market that a company is able to obtain with its products.

## Market Timing

An element of investment strategy. Investors will often seek to increase the amount of money they can make in a particular security or category of security by purchasing it when the market associated with that type of security is near its trough, and sell these holdings when the market is near its peak.

## Market Value

The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.

## Market

A communications medium that facilitates the purchase and sale of a particular category of securities, such as stocks or bonds. Traditionally, this has been a building or particular location (called an "exchange") where people meet to buy and sell such securities, but advances in modern technology have eliminated the necessity for face-to-face contact, and a "market" can now be the collection of telephones and computer terminals used to trade securities.

## Marketability

A negotiable security is said to have good marketability if there is an active secondary market in which it can easily be resold.

## Match Fund

A bank is said to match fund a loan or other asset when it does so by buying (taking) a deposit of the same maturity. The term is commonly used in the Euromarket.

## Matched Book

If the distribution of the maturities of a bank's liabilities equals that of its assets, it is said to be running a matched book. The term is commonly used in the Euromarket.

## Material Change

Any information about the business, operations or capital of the company that is expected to significantly affect the market value of a security once the information becomes known to the public.

## Maturing Debt

In this context, bonds or money market securities that will be redeemed by the borrower in the near future.

## Maturity Date (Real Estate)

The last day of the term of the mortgage agreement. The mortgage loan must then be paid in full or the agreement renewed.

## Maturity Schedule

A table describing the timing and amounts of currently outstanding debt of a particular issuer that will reach maturity in the future.



## Maturity

The date at which maturing debt is redeemed.

## Medical Power of Attorney

This special power of attorney document allows you to designate another person to make medical decisions on your behalf, also review the Substitution Decisions Act in the Money Management Newsletter Library.

## Medium-Term Bond:

A bond or debenture matures in 3 to 10 years.

## Member Share Dividends (Credit Union's)

Dividends paid to all Credit Union members who have purchased the required number of membership shares.

## Mentor

A personal contact or teacher who can assist a person in achieving their objectives or dreams.

## Merchant Bank

A British term for a bank that specializes not in lending out its own funds, but in providing various



financial services such as accepting bills arising out of trade, underwriting new issues, and providing advice on acquisitions, mergers, foreign exchange, portfolio management, etc.

### **Mezzanine Finance**

A loan advanced prior to a firm going public. Venture capitalists are active at this stage of a corporation's growth.

### **MICC**

Mortgage Insurance Corporation of Canada.

### **Microeconomics**

Looking at the individual parts of the economy, with emphasis given to the market process and how it works.

### **Mid-Cap Stock**

A mid-cap stock is from a company with between \$500 million and \$1 billion in Market capitalization .

### **Minimum Monthly Balance**

The smallest amount in a bank account during the month, the amount on which interest is payable. Interest is often paid on the minimum semi-annual balance.

### **Minority Interest**

A company may own most, but not all, of a subsidiary company. That portion of ownership that the parent company doesn't possess is listed on the parent's balance sheet as minority interest.

### **Mismatch**

A mismatch occurs when the remaining term of rate sensitive assets in a portfolio differs from that of rates sensitive liabilities. An interest rate exposure results since a change in interest rates affects income earned by a Financial Institution on loans and interest paid on deposits.

### **Monetarist**

Someone, usually an economist, who subscribes to the view that the rate of change of a country's money supply is the most important factor in determining the future course of economic events.

### **Monetary Policy**

Federal government policy pursued by the Bank

of Canada to control interest rates and the supply of money.

### **Money Laundering**

Popular term used to describe the process whereby criminals conceal illicitly acquired funds by converting them into seemingly legitimate income. While the term refers to the proceeds of organized crime generally, it is now most often associated with financial activities of drug dealers who seek to launder the large amounts of cash generated from the sale of narcotics. Canadian government organizations such as FINTRAC are empowered to pursue matters of this nature.

### **Money Market Fund**

Mutual fund that invests solely in money market instruments.

### **Money Market**

A market devoted to debt securities that are repaid within three years of issuance. Such securities generally pay interest at a specified rate. The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

### **Money Purchase Plan**

A pension plan on which contributions are defined rather than benefits.

### **Money Rate Of Return**

Annual money return as a percentage of asset value.

### **Money Supply Figures**

Information released weekly by the central bank of the United States or Canada about the amount of money currently in existence in that country. These figures change constantly with changes in economic activity and are felt to be a good indicator of the pace of the economy.

### **Money Supply**

**M1:** Money supply measured as the amount of demand deposits plus currency in circulation.

**M2:** M1 plus small-denomination savings and time deposits at commercial banks.

**M3:** M2 plus deposits at non-bank savings institutions.

**M4:** M2 plus large-denomination CDs.

**M5:** M3 plus large-denomination CDs.

## Monopoly

A business that has exclusive possession or control of a product or service.

## Monthly Purchase Pension Plan

A type of company pension plan that does not specify the pension benefit that the employee will receive on retirement. The pension benefit depends on the investment return earned by the pension plan. Also known as a defined benefit plan.

## Mortality Table

A table showing the incidence of death at specified ages

## Mortgage Bond

Bond secured by a lien on property, equipment, or other real assets.

## Mortgage Broker

A professional person who helps you arrange for mortgage financing on your home or other real property. He or she also can arrange for the buying or selling of a mortgage.

## Mortgage Disability Insurance

An insurance rider to a mortgage life insurance contract that would make the mortgage payments if the mortgagor became disabled.

## Mortgage Life Insurance

Term insurance which pays if death (mortgagor) occurs within a stated period, for the value of the then mortgage debt. A maximum \$ amount may apply. Some policies may contain riders that cover the terminally ill or accidental dismemberment within the same contract.

## Mortgage Loan

A loan used primarily for the purchase of real property. The property being purchased becomes the security for the loan.

## Mortgage Options

**Rate buydown program:** If you're selling your home, you choose to increase its appeal by using this program to buy down the mortgage rates by as much as 3 or 4%.

**Portable Mortgage option:** If you're buying a new home and you like the terms and conditions of your existing mortgage, you can use this option and carry them over to your new mortgage on the

new house.

**Pre-approved mortgage:** This product offers you the security of knowing how much mortgage financing is available, and protect your rate for up to 60 to 90 days depending on the lender.

**Rate-capper/stopper mortgage option:** An option that can lock in the term up to 5 years and protection from increased interest rates while offering the flexibility of a variable-rate loan.

**Add-On option:** This allows you to borrow up to 70% of appraised value of your home minus your outstanding mortgage balance.

**Double-up:** You can Double-up your interest and principle payments any month or every month.

**Skip-A-payment:** If you are short of the mortgage payment you may skip a payment, If you have used the double-up option you may reverse the payments.

## Mortgage Types

**Conventional mortgage:** This type is a uninsured mortgage loan, and does not exceed 75% of the lesser of the purchase price or appraised value.

**NHA:** A NHA insured mortgage is one where mortgage insurance is provided by Canada Mortgage & Housing Corporation (CMHC).

**Closed Mortgage:** These agreements do not provide for payout prior to maturity. A lender may permit payout under certain circumstances but will levy a penalty charge for doing so if such exceeds certain limits, if any, specified in the mortgage (i.e., 15% prepayment provision).

**Open Mortgage:** allows pre-payment/repayment at any time without penalty. Normally the interest rates charged on open mortgages are higher than closed, and the term is shorter.

## Mortgage

A legal document that represents a loan for which a specific piece of property is pledged as collateral. Such documents are often bought and sold by investors, as the lender has agreed to pay interest on the loan to the holder.



## Mortgagee

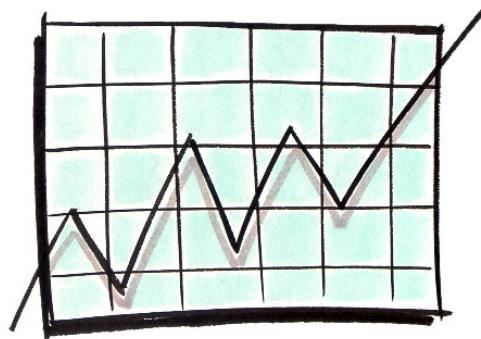
The lender.

## Mortgagor

The borrower.

## Moving Average

The moving average (in security charts), is a curve that averages price fluctuations of the security over a 50-day or 200-day interval. Each point on the moving average curve is calculated by averaging the closing prices from the previous 50 (or 200) days of trading. The moving average is a way to compare long-term price trends with recent price changes.



## Multi-Account System

The use by an individual of several bank accounts in which each is allocated certain sources or amounts of money.

## Multicurrency Clause

Such a clause on a Euro loan permits the borrower to switch from one currency to another on a rollover date.

## Multiple Listing Service (MLS)

A database of available real estate for a particular area.

## Mutual Balanced Funds

A fund which has an investment policy of "balancing" its portfolio, generally by including bonds and shares in varying proportions influenced by the fund's investment outlook.

## Mutual Dividend Fund

A mutual fund that invest in common shares of senior Canadian corporations with a history of regular dividend payments at above average rates, as well as preferred shares.

## Mutual Equity Funds

A fund whose portfolio of which consists primarily of common stock.

## Mutual Fund Prospectus

A legal document which describes the investment objective of the fund, the manner in which the fund is administered and operated, the fees and other pertinent information.

## Mutual Funds

A mutual fund is a portfolio of investment securities held in the name of the fund, which is owned by people who have bought shares in the fund itself.

## Mutual Growth Funds

Fund that hold growth shares of companies whose earnings are expected to increase at an above-average rate. Growth stocks are often typified by their Low yields and relatively high price/earnings ratios. Their prices reflect investors' belief in their future earnings growth.

## Mutual Income Funds

Mutual funds that invest primarily in fixed-income securities such as bonds, mortgages and preferred shares. Their primary objective is to produce income for investors, while preserving capital.

## Mutual Index Funds

A mutual fund that matches its portfolio to that of a specific financial market index, with the objective of duplicating the general performance of the market in which it invests.

## Mutual International Fund

A fund that invest in securities of a number of countries.

## Mutual Money Market Fund

A type of mutual fund that invests primarily in treasury bills and other Low-risk short-term investments.

## Mutual Mortgage Fund

A mutual fund that invest in mortgages. Portfolios of mortgage funds usually consist of first mortgages on Canadian residential property, although some funds also invest in commercial mortgages.

## Mutual Real Estate Fund

This type of fund invests primarily in residential and/or commercial real estate to produce income and capital gains for its unit holders.

## **Mutual Specialty Fund**

A mutual fund that concentrates its investments on a specific industrial or economic sector or a defined geographical area.

## **NAFTA**

North American Free Trade Agreement.

## **Naked Option Writer**

An option writer who does not have an offsetting position in the underlying security is said to be "naked".

## **NASDAQ**

The National Association of Security Dealers Automated Quotation System, is a computerized that provides dealers with price quotations for securities.

## **National Housing Act (NHA) Loan**

A mortgage loan which is backed by (insured by) CMHC to certain maximums.

## **NAVPS**

Net Asset Value per share is the price or market value of an individual share or unit of a mutual fund.

## **Negotiable Certificate of Deposit**

A large-denomination (generally \$1 million) CD that can be sold but cannot be cashed in before maturity.

## **Negotiated Sale**

Situation in which the terms of an offering are determined by negotiation between the issuer and the underwriter rather than through competitive bidding by underwriting groups.

## **Net Asset Value Per Share**

The market value of a share or unit of a mutual fund. It is the total assets of a fund minus its liabilities, and divided by the number of units outstanding.

## **Net Asset Value**

The performance of a hypothetical investment of \$1000 invested at the Fund's inception. Figures include reinvestment of dividends and capital gains, but do not reflect the effect of any applicable sales charges or redemption fees, which would lower these figures.

## **Net Income**

Generally net income refers to gross income less expenses incurred to earn income, but before taxes. Net income also assumes deductions for Canada Pension Plan, Unemployment Insurance, RRSPs .

## **Net Interest Margin**

Net interest income (the difference between interest income and interest expense) as a percentage of average total assets.

## **Net Present Value**

Is equal to the present value of a future returns, discounted at a marginal cost of capital, minus the present value of the cost of the investment.

## **Net Profit (Net Earnings)**

The profit remaining after all expenses and taxes have been paid by a company.

## **Netting**

The offsetting with a counterparty of financial obligations payments one is owed with those one is entitled to receive, thus reducing the costs arising out of payments settlements. Netting is also used as a risk-management tool to help counterparties reduce their exposure to risk.

## **New Issues Market**

The market in which a new issue of securities is first sold to investors.

## **New Money**

In a Treasury refunding, the amount by which the par value of the securities offered exceeds that of those maturing.

## **NHA**

National Housing Act. This act of Parliament set up an insurance system which allows certain income groups to qualify for mortgages by guaranteeing lenders against loss in return for their earning lower rates of interest.

## **No Fault Insurance**

Government-mandated insurance designed to provide automatic compensation for automobile accident victims, regardless of who is to blame.

## **No-Load Fund**

A mutual fund that does not charge a fee for buying or selling its shares.



## Nominal GDP

The value of finished goods and services at current market prices.

## Nominal Rate (Real Estate)

The quoted interest rate for a mortgage loan.

## Nominal Rate of Return

The rate of return on an investment, expressed in today's dollars; that is, without any provision for deducting the effects of inflation. See also real rate of return.

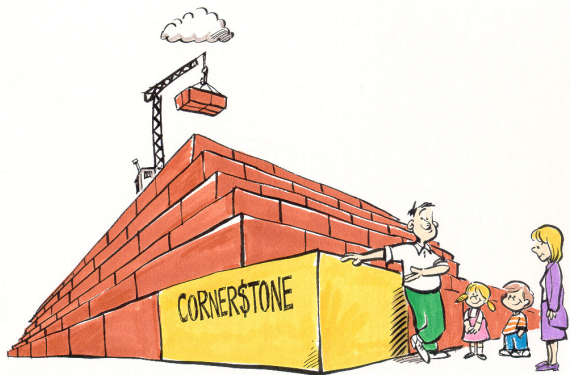
## Non-Competitive Bid

In a Treasury auction, bidding for a specific amount of securities at the price, whatever it may turn out to be, equal to the average price of the accepted competitive bids.

*NOTE: Coupon issues with a relatively short original maturity are often called notes. Muni-notes, however, have maturities ranging from a month to a year and pay interest only at maturity. Treasury notes are coupon securities that have an original maturity of up to 10 years.*

## Non-Refundable Tax Credit

A tax credit, which will not be refunded if the total non-refundable tax credits exceeds the income tax otherwise payable.



## Nonresident

For income tax purposes, this is a person who is not a resident of Canada as opposed to resident who normally makes a living or is physically present for more than 183 calendar days or whose roots are in Canada.

## Normal Yield Curve

a term use to describe a yield curve which longer terms gives higher nominal rates of return.

## Not-In-Advance

Refers to interest that will be collected at the end of a calculation period.

## Notional Amount

The principal amount used as a reference point to calculate payments for derivatives.

## NSF

Not Sufficient Funds. Used in reference to a cheque drawn on a bank account where the balance is not sufficient to honor the cheque.

## Objective

A position or financial state you wish to achieve. Well-defined objectives are critical to the success of any money management plan because they provide your plan with a sense of purpose and a benchmark against which you can measure your progress.

## Obligation

Another name for debt.

## Obligee

The second party in a bond. The first party, the surety, agrees to answer to the obligee for the default, failure to perform, or dishonesty of a third party, the principal.

## Odd Lot

An uneven number of securities that represents less than a board lot.

## Off-Balance Sheet Instruments

A contractual principal or notional amount that does not appear as an asset or liability on a traditional balance sheet. There are two broad categories:

- (1) credit-related arrangements.
- (2) derivatives.

## Offer To Purchase (Real Estate)

A formal, legal agreement which offers a certain price for a specified real property. The offer may be firm (no conditions attached) or conditional (certain conditions must be fulfilled).

## Oligopoly

A market situation in which there is limited competition between a small number of businesses.



## Ombudsman For Banking Services And Investments

An alternative, industry-sponsored resolution service established in 2002. Complaints from consumers of banks, IDA members, MFDA members, Investment Funds Institute of Canada member firms, and most federally regulated trust and loan companies will be reviewed provided the firm was unable to resolve the matter. Ombudsman reviews are based on fairness and industry best practices.

## Open Interest

In options markets, the number of outstanding contracts for a particular series of options.

## Open Mortgage

A mortgage agreement which allows the borrower to repay the debt more quickly than specified and usually without prepayment charges.

## Open Order

Known as good-till-cancelled or GTC, is when you give your stockbroker a limit order that is valid until you cancel it.

## Open-End Fund

An open-end mutual fund continuously issues and redeems units, so the number of units outstanding varies from day to day. Most mutual funds are open-end funds.

## Opportunity Costs

Money or income that is forgone as a result of missed opportunities.

## Option

**(1) Call option:** A contract sold for a price that gives the holder the right to buy from the writer of the option over a specified period a specified amount of securities at a specified price.

**(2) Put option:** A contract sold for a price that gives the holder the right to sell to the writer of the contract over a period a specified amount of securities at a specified price.

## Ordinary Annuity

A series of equal payments over a fixed number of years where the payments are made at the end of each period.

## Original Maturity

Maturity at issue. For example, a 5-year note has

an original maturity at issue of 5 years; one year later it has a current maturity of 4 years.

## OSC - Ontario Securities Commission (SEC)

Agency created by the Ontario Government to protect investors in securities transactions by administering various securities acts.

## Out-Of-Money

If an option contract expires when the strike price is on the wrong side of the market price, the contract is out of the money.

## Output Gap

When setting monetary policy, the Bank of Canada's goal is to align interest rates with the non-inflationary rates of economic activity. Finding the right mix involves an estimate of the "optimum growth rates" for the economy. The difference between the optimum rates and the estimated actual rates is the output gap.

## Overdraft

The withdrawal from a bank account of an amount greater than the positive balance in the account. Often used to refer to a negative balance in one's account.

## Over-The-Counter (OTC) Market

Market created by dealer trading as opposed to the auction market prevailing on organized exchanges.

## P.I.T (Mortgage)

Principal, Interest, Taxes.

## Paid-Up Capital

Issued capital of a corporation that has been paid up by the shareholders

## Paid-Up Insurance

An insurance policy that will remain in force without the need for additional premiums.

## PA-Pension Adjustment

A pension adjustment is the deemed value, for tax purposes, of benefits accruing to members of a Registered Pension Plan (RPP) or Deferred Profit Sharing Plan (DPSP). The PA is used to reduce RRSP contribution room, as it is deemed to represent the value of the benefit that you are accruing under another tax deferral plan. In

general the PA is calculated as 9 times the benefit accruing under an RPP or DPSP less \$1,000.

As an example, say I earned \$40,000 last year. This year I would be able to contribute \$7,200 to my RRSP ( $40000 \times 0.18$ ). However, last year I was in my employers registered pension plan. Under the plan I accrue, or earn, a benefit of 1.5% of my salary. The value of the benefit I earn is therefore \$600 for the year. The PA is \$4,400 ( $9 \times 600 - 1000$ ). The PA reduces my available RRSP room, so instead of \$7,200 of room I can only contribute up to \$2,800.

The PA system is an attempt to equalize tax deferred savings programs in Canada so members of a company sponsored RPP don't have any advantage by accruing benefits in the plan and also being able to contribute the same amount to their RRSP as someone who is not in an RPP.

### **Paper Gain (Loss)**

Unrealized capital gain (loss) on securities held in portfolio, based on a comparison of current market price to original cost.

### **Paper**

Money market instruments, commercial paper and other.

### **Par Bond**

A bond selling at par.

### **Par Value**

The principal amount, or value at maturity, of a debt obligation. It also known as denomination or face value. Preferred shares may also have a par value, which indicates the value of assets each share would be entitled to if the company were liquidated.

### **Par**

- (1) Price of 100 percent.
- (2) The principal amount at which the issuer of a debt security contracts to redeem that security at maturity, face value.

### **Participating Policy (Insurance)**

A policy that is eligible for the payment of dividends by the insurer (see dividend)

### **Partnership of Acquests**

The new regime governing marital property under

the Civil Code of the Province of Quebec. It replaces the old community-of-property regime.

### **Partnership**

A business venture of two or more individuals of companies. If equal partners, profits or losses flow, directly and equally to the partners.

### **Past Service Contribution**

Contributions made to a pension plan to provide benefits conferred in recognition of service with the employer before the pension plan was installed.

### **Patronage Dividends**

Dividends paid to the members of a consumer cooperative based on the amount they purchase from the cooperative in a given period.

### **Payee**

The name of the person to whom the money in a cheque is to go.

### **Payroll Deduction**

Payments made on your behalf by your employer. They are automatically deducted from your pay cheque.

### **Penny Stocks**

Stocks selling at disreputably low prices - that is, measured in cents instead of dollars.

### **Pension Income Deduction**

The first \$1,000 of pension income from certain sources is deductible from one's income for tax purposes. Applies to income from a pension or superannuation fund at any age, and where income is obtained from "private" sources, RRSP from age 65.

### **Pensionable Employment**

Any form of employment not exempt under the Canada Pension Plan that generates income subject to contributions to CCP.

### **Per Capita (Life Insurance)**

The death proceeds of a contract or policy are divided equally among the living beneficiaries. For example if three beneficiaries are named but one is no longer living, the remaining two will each receive 1/2 of the proceeds. For contrast see per stirpes.

## **Per Stirpes (Life Insurance)**

The death proceeds of a contract or policy are divided equally among the named beneficiaries. The share of any deceased named beneficiary is distributed to his/her living dependents.

## **Performance**

Performance figures for years 1 through 7 are calculated on an annual basis. Figures quoted since inception reflect cumulative, rather than annual, growth. Both annual and cumulative figures include reinvestment of dividends and capital gains, but do not reflect the effect of any applicable sales charges or redemption fees, which would lower performance figures.

## **Permanent Life Insurance**

The most common types are whole and universal. Both offer lifetime protection. Renewal is not necessary as long as you pay the premiums.

## **Personal disposable income**

Personal income minus personal income tax payments. Also called "take-home pay."

## **Personal Guarantee**

A legal contract binding a individual with the responsibility for payment of a debt or performance of some obligation if the person and or a company fails to perform.

## **Personal Identification Number (PIN)**

A security code known only to the bank card holder and used to access on-line financial services.

## **Personal Identification**

Contains key identification information, such as your name, address, birth date and Social Insurance Number (SIN).

## **Personal Net Worth**

Total assets minus total liabilities of an individual.

## **Personal Representative**

A general term applicable to a person, including an administrator or executor, having the legal right to represent a person including a deceased person.

## **Personal Savings**

The difference between personal disposable income and personal consumption spending.

## **Personal Unsecured Loans**

These are loans that require no collateral and are not "secured" by any real assets.

## **Pledged Account Mortgage (PAM)**

Money is placed in a pledged savings account and this fund plus earned interest is gradually used to reduce mortgage payments.

## **Point**

(1) 100 basis points=1 percent.

(2) Once percent of the face value of a note or bond.

(3) In the foreign exchange market, refers to the lowest level at which the currency is priced.

Example: "One point" is the difference between a sterling price of \$1.8080 and \$1.8081.

## **Policyowner**

The person who owns a life insurance policy. This is usually the insured person, could also be a relative of the insured, a corporation or partnership.

## **Pooled RESP**

An RRSP in which the investment earnings on the funds contributed by a group of subscribers are allocated only to those beneficiaries who pursue a post-secondary education. Also referred to as an education trust, a scholarship trust or a group RESP.

## **Pooled Risk**

In group insurance the claims/premiums experience is averaged to prevent an unusually bad experience by a single employer which would have an extremely adverse effect on its future premiums.

## **Portfolio Drift**

Over time your original investment mix could be off course, calling into question the portfolio tolerance to risk and/or direction. Not only can the individual mutual funds gain or lose ground, so to can the type of investment class.

## **Portfolio Management**

The systematic development and implementation of an investment strategy, the purpose of which

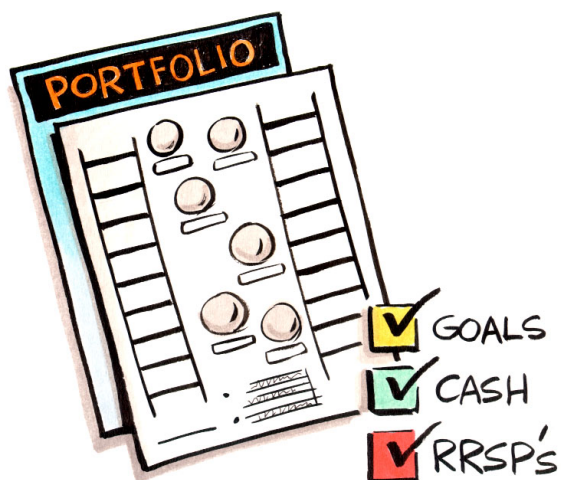
is to achieve the investor's financial goals. Often portfolio management is mistaken for the simple buying of new securities and the selling of current holdings.

### Portfolio Manager

An individual, usually a professional, who attempts to produce the highest return on invested capital while incurring a minimum of risk within the guidelines laid down by the person or company whose funds he is investing.

### Portfolio

Collection of securities held by an investor.



### Position

- (1) To go long or short in a security.
- (2) The amount of securities owned (long position) or owed (short position).

### Power of Attorney - Personal Care

A legal document that gives signing authority for your personal care and health issues only to a spouse or other trusted person in case of accidental or other circumstances that leave your own unable to manage your own affairs.

### Power of Attorney For Property

A legal document that gives signing authority for your affairs to a spouse or other trusted person in case of accidental or other circumstances that leave your own unable to manage your own affairs. This type of power of attorney applies to personal, financial and business transactions. If "enduring", the donee may continue to exercise authority during the subsequent incapacity of the bonor.

### Pre-Authorized Chequing Arrangement (PAC)

An arrangement you can make with your bank to remove a predetermined amount from your account at regular intervals and place it elsewhere. This method is a convenient means of savings.

### Preferred (Shares) Stock

A type of stock that has certain privileges not available to common shareholders. In particular, dividends on preferred stock must be paid before those on common shares, and preferred shareholders, in theory, get their investment back from the liquidation of a company before common shareholders. In exchange, they usually get only a fixed dividend, regardless of how much is paid to common shareholders, and usually do not get a vote in company affairs.

### Premium

- (1) The amount by which the price at which an issue is trading exceeds the issue's value.
- (2) The amount that must be paid in excess of par to call or refund an issue before maturity.
- (3) In money market parlance, the fact that a particular bank's CD's trade at a rate higher than others of its class, or that a bank has to pay up to acquire funds.

### Premium (Insurance)

The amount of money that is required to be paid to the insurance company for insurance coverage.

### Prepayment Charge (Real Estate)

A fee charged by the lender when the borrower prepays all or a portion of a mortgage loan, more quickly than provided for in the mortgage agreement.

### Prepayment Options (Real Estate)

A clause in a mortgage agreement which specifies when and how prepayments may be made.

### Present Value

The value today of something (usually money) to be delivered in the future. This recognizes that interest and certain contingencies make a dollar several years hence worth less than a dollar today.



## Price Indexes

Measure changes in the cost of a basket of goods over time. Current practice in index design is to use chain-weighting, which adjust for changes in consumption patterns over time.

## Price Level

The average price as measured by a price index.

## Price-Earnings Ratio

The price of a stock divided by the profit the company makes per share. A \$10 stock of a company that is earning the equivalent of \$1 for each of its shares has a ratio of ten. Also known as the PE multiple. It's a measure of whether a stock is cheap or expensive.

## Primary Market

A financial market where new issues of security are offered.

## Prime Rate

The rate at which banks will lend to their best (prime) customers. The all in cost of a bank loan to a prime credit equals the prime rate plus the cost of holding compensating balances.

## Principal (Real Estate)

The amount actually borrowed.

## P

## Principal Residence

Any accommodation that you own (either alone or jointly) that is normally inhabited by you, your spouse or child.

## Principal

(1) The face amount or par value of a debt security. The face amount or par value of a contract.

## Private Health Insurance

Insurance plans provided by private insurance companies, in contrast to health insurance provided by government or public agencies such as Blue Cross.

## Private Placement

An issue that is offered to a single or a few investors as opposed to being publicly offered. Private placements do not have to be registered with the OSC or SEC.

## Probate

The process used to make an orderly distribution and transfer of property from the deceased to a group of beneficiaries. The probate process is characterized by court supervision of property transfer, filling of claims against the estate by creditors and publication of a last will and testament.

## Product Insurance

Insurance purchased by manufacturers or distributors to protect them from liability to people that have suffered a loss, damage or injury as a result of using their product.

## Professional Liability Insurance

A form of public liability insurance designed to indemnify practicing members of a profession from losses payable to patients or clients arising from their negligence in carrying out their profession.

## Profit Sharing

Employer-sponsored retirement plan that allows employees to share in company profits. The employer makes contributions in profitable years to individual employee accounts. The account grows until the employee retires or leaves the company.



## Program Trading

Computer-driven transactions in the stock market and index futures by professional managers of big pools of money. An early term is arbitrage.

## Promise To Pay

The statement the borrower makes within the signed agreement to the lender that specifies how the loan is to be repaid, the costs and fees incurred if legal action is taken to recover the debt.



## Promissory Note

- 1) An unconditional promise to pay on demand or by a fixed date a certain amount of money.
- 2) A written promise to pay money or money's worth usually for goods and/ or services received.

**Proprietor(ship) (Sole)** A unincorporated operation where the income and expenses are treated for tax purpose as that of the individual proprietor/owner/operator.

## Prospectus

A detailed statement prepared by an issuer and filed with the a Securities Regulator prior to the sale of a new issue. The prospectus gives detailed information on the issue and on the issuer's condition and prospects.

## Proxy

Written authorization given by a shareholder to someone else, who does not necessarily need to be a shareholder, to represent him or her and vote at a shareholders' meeting

## Public Assistance

Government-administration programs designed to ensure social adequacy where the costs of the program are the responsibility of society as a whole.

## Public Liability Insurance

Insurance designed to indemnify you of losses that arise out of negligence in your work, volunteer activists.

## Public Record Information

Contains information about secured loans, bankruptcies and/or judgments.

## Public Trustee

The official appointed by the provincial government to supervise the administration of assets owing to a charity, or mental incompetent in an institution or a public trust.

## Purchasing Power

The amount of goods that can be purchased for a given dollar amount.

## Pure Risk

Risk that has no opportunity for gain (i.e., where

the only possible outcomes are loss or no loss.)

**Put Option** The owner of a put option has the privilege of selling a particular security to the person who sold the option, at a prearranged price for a specified period of time. Hence, if the actual price of the security involved declines before this time period is up, the holder of the option may be able to collect a price that is higher than the current market price by exercising his put option.

## Q Ratio

Market value of a firm's assets divided by replacement value of the firm's assets.

## QPP

Quebec version of the Canada Pension Plan.



## Qualified Investments (RRSP/RRIF)

Qualified investments is the term used for investments that can be held in an RRSP or RRIF. These investments generally include: Canadian dollar savings accounts, guaranteed investment certificates, term deposits shares of Canadian and foreign companies listed on a prescribed stock exchange, shares of some over-the-counter U.S. and Canadian companies, shares of some small businesses certain types of bonds and money-market investments such as treasury bills, Canada Savings Bonds, Government of Canada bonds, provincial government bonds, Crown Corporation bonds, bonds issued by Canadian corporations listed on a prescribed stock exchange, and certain strip bonds certain types of mortgages, including your own certain covered call options, warrants and rights mutual funds

## Qualified Small Business

## Corporation Share

A share in a small business corporation. The corporation is owned by the individual holding the share. A capital gains deduction is still available on the sale of this type of share.

## Quartile

Mutual funds are grouped into sectors. For the purposes of comparison, each sector is divided into four quartiles (or quarts); the best performing funds are in the top quartile.

## Quick Assets

Current assets minus inventories.

## Quick Ratio

To determine the quick ratio that's a company's ability to meet its financial obligations with its more liquid assets, you divide the company's cash, accounts receivable and marketable securities by its current liabilities. In general, healthy companies should have a quick ratio of at least 1 to 1.

## Quotation

The bid and/or offered prices of a dealer that is willing to buy or sell at.

## Rate of Return (Dollar-Weighted)

Also called the internal rate of return, the interest rate will make the present value of the cash flows from all the sub-periods in the evaluation period plus the terminal market value of the portfolio equal to the initial market value of the portfolio.

## Rating - What it Means

R0 Too new to rate; approved but not used

R1 Pays (or paid) within 30 days of payment due date or not over one payment past due

R2 Pays (or paid) in more than 30 days from payment due date, but not more than 60 days, or not more than two payments past due

R3 Pays (or paid) in more than 60 days from payment due date, but not more than 90 days, or not more than three payments past due

R4 Pays (or paid) in more than 90 days from payment due date, but not more than 120 days, or four payments past due

R5 Account is at least 120 days overdue, but is not yet rated "9"

R7 Making regular payments through a special arrangement to settle your debts

R8 Repossession (voluntary or involuntary return of merchandise)

R9 Bad debt; placed for collection; moved without giving a new address.

## Real Estate Investment Trust (REIT)

A closed-end investment company that specializes in real estate or mortgage investments.

Real Estate Investment Trusts issue shares that trade on stock exchanges like shares of common stock. There are two types of REITs viz.:

**Mortgage REITs** invest primarily in real estate debt such as mortgages.

**Equity REITs** primarily own real estate, such as shopping centers, apartments and industrial buildings.

Some trusts are a combination of the two and are called **Hybrid REITs**

## Real GDP

The value of final goods and services at prices prevailing in a base year. This removes the discretionary effects of inflation.

## Real Rate of Return

The rate of return on an investment after the effects of inflation have been removed. Hence the return produced by the investment in excess of the rate of inflation.

## Real Return Bonds

The Canadian federal government issues 30-year bonds with interest rates that are adjusted to account for inflation. The base rate is adjusted according to a formula based on the consumer price index.

## Realized/Unrealized Gains

A gain is realized when an investment is sold for more than the purchase price. An investment that has increased in value, but has not yet been sold, has an "unrealized" gain.

## Receivable

Amounts payable to a person or corporation for goods and/or services produced, sold or rendered for which a bill has been sent.

## Receiving Order

A court order made in response to a petition from your creditors, that effectively vests your property

to a trustee, who will administer your estate in accordance with the Bankruptcy and Insolvency Act.

### **Recession**

That phase in the business cycle in which the pace of economic growth slows. Real GDP falls for two consecutive quarters (six months to recorded as a recession.

### **Redeemable**

Preferred shares or bonds that give the issuing corporation an option to repurchase securities at a stated price. These are also known as callable securities. Bank and Trust company term deposit are also redeemable but at the option of the note holder.

### **Redemption Terms**

The formal circumstances involved in redeeming a security, including timing, price, location, etc.

### **Refinance (Real Estate)**

To pay off (discharge) a mortgage and any other registered encumbrances and arrange for a new mortgage with the same lender.

### **Regional Fund**

A Regional fund is a international mutual fund that invests in securities from one particular area, such as Latin America, India or the Far East.

### **Registered Annuity**

An annuity purchased from registered funds.

### **Registered Bond**

A bond whose owner is registered with issuer.

### **Registered Education Savings Plans**

RESP is a tax deferral vehicle to save for a child's education. Contributions are not tax deductible, as they are with an RRSP, but the income from plan grows tax free. When the child goes on to post-secondary education the RESP provides income, which is taxable to the child, but usually at a lower rate. If the child does not go on to post-secondary school, the amounts contributed

to the RESP are repaid to the contributor but not the income. The income must be used to for other beneficiaries as scholarships or can be donated to educational institutions. The maximum contribution is \$1,500 per year and \$31,500 in a lifetime and the RESP may only be tax sheltered for 26 years.

#### **Types:**

**Pooled Funds** -Canadian Scholarship Trust Foundation

-University Scholarship of Canada

-University Foundation of Canada

-Heritage Scholarship Trust Foundation

**Self-Directed Funds** -Investment Dealers

**Mutual Funds** - Mutual Fund Companies

**Life-Insurance Company** - Mutual Funds- Life Ins Co.

### **Registered Encumbrances (Real Estate)**

Legal claims against real property. Debts for which the property was pledged as security.

### **Registered Life Income Fund**

LIFs are also locked like RRIFs. They operate identically to a RRIF but must be converted to annuities by the end of the calendar year in which the individual turns 80. There is also legislation for maximum withdrawals from LIFs.

### **Registered Representative ("Registered Rep")**

An individual who has been qualified by the appropriate regulatory agencies to act as a broker.

### **Registered Retirement Income Fund (RRIF)**

A registered retirement income fund (RRIF) is an investment vehicle used to produce income in retirement. Generally RRIFs are established by transferring money from an RRSP into the RRIF. Payments must then commence from the RRIF at the latest in the year following the year the RRIF is established. RRIF withdrawals are subject to minimum amounts prescribed by Canada Customs and Revenue Agency (CCRA). You may withdraw amounts above the minimum amounts at any time. The RRIF continues as a tax sheltered vehicle and investment income accumulates tax free. All withdrawals are subject to income tax.

Minimum withdrawal amounts are based on age in whole numbers at the start of the year and the



RRIF fund value at the start of the year. The percentages for RRIFs established after 1992 for ages over 70 are prescribed by CCRA. For ages under 71 and RRIFs established prior to 1993 (for ages up to 78) the formula for the minimum withdrawal is 1 divided by 90 minus current age.

There are also locked in RRIFs or LIFs which operate identically to a RRIF but must be converted to annuities by the end of the calendar year in which the individual turns 80. There is also legislation for maximum withdrawals from LIFs.

### **Registered Retirement Savings Plan (RRSP)**

RRSP - Registered Retirement Savings Plan. An RRSP is a deferred tax savings vehicle. Generally, you are allowed to put money into an RRSP and claim a deduction on your taxes in that year (or a future year) for your contribution. Contributions will accumulate with investment income tax free. When the money is taken out of the RRSP it is taxed as income. Money may be withdrawn at any point, but generally it is accumulated until retirement and an annuity or RRIF is purchased.

### **Regular Interest Bonds ("R" Bonds)**

Canada Savings Bonds that pay interest annually and are therefore non-compounding.

### **Renegotiate (Real Estate)**

To change the terms and conditions of a mortgage agreement prior to maturity. Renegotiation occurs with the lender who presently holds the mortgage.

### **Renew (Real Estate)**

To extend a mortgage agreement with the same lender for another term. The length of the term and the conditions (such as the rate of interest) may be changed.

### **Renewable Term**

A term life insurance policy that may be renewed at prescribed rates without evidence of insurability.

### **Rent (Net Effective) (NER) (Real Estate)**

The portion of the "Net Rent" remaining after stripping out deal-related costs such as free rent

periods, leasehold allowances, and lease take overs.

**The calculation involves two steps.**

**First**, the present value of the deal-related costs is subtracted from the present value of the net rents.

**Second**, this residual value is amortized over the term of the lease at an appropriate discount rate. The monthly payment multiplied by 12 is the net effective rent on the lease.

It is important to appreciate that many factors influence specific NERs. These factors include the occupancy date, lease term, tenant covenant, option requirements, after the presence of existing improvements.

### **Rent (Net) (Real Estate)**

The rent paid to the landlord before charges for taxes and operating costs. In effect, this is the rent being paid for "the space" as opposed to municipal taxes or building services.

### **Rentable Area (Real Estate)**

The tenant's Usable area (see below) plus an adjustment (or "gross-up") for a proportionate share of common areas, washrooms, etc.

**Sublet Space:** Space made available to users by existing tenants. It is typically priced at a discount and the term available is limited by the original lease's expiry date.

**Term Space:** Space made available to users by landlords, but only with a maximum lease term. The landlord cannot make a longer commitment because another tenant in the building has an option to expand [and into the space at some date in the future].

**Usable Space:** The area of the tenants specific premises. BOMA (Building Owners and Managers Association) sets specific standards for measurement, but these are not always observed by all landlords.

### **Replacement Value Insurance (Real Estate)**

This type of coverage pays the full replacement value for a covered loss rather than just the initial cost less "wear and tear" or depreciation. It is an essential feature of a good homeowners or renters' insurance policy.

### **Reporting Issuer**

A company that has issued voting securities or has offered shares to the public on any recognized stock exchange. Issuers must have



filed a prospectus for the securities and obtained a receipt from the appropriate securities commission.

### **Reserve Accounts**

Accounting provisions made for anticipated events, such as a judgment in a lawsuit. Usually taken out of shareholders' equity.

### **Reserve Requirements**

That portion of savings and chequing deposits that banks are required by government regulation to set aside in order to meet the demand for withdrawals. Remaining funds are loaned out, or invested.

### **Residence (Student Loan)**

For the purpose of qualifying for a Canada student loan, the province or territory of residence is where the student has most recently lived for a least 12 months consecutive months excluding full-time attendance at a post-secondary institution.

### **Residency requirements**

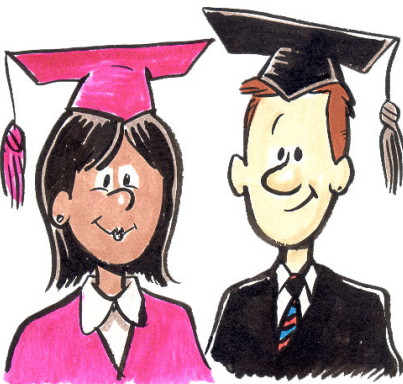
Certain public pensions require people to have lived in Canada for a number of years for a minimum number of years in order to qualify for benefits.

### **Residual Value**

An estimate based on the present value of the after-tax cash flows expected to be earned after the forecast period.

### **RESP**

Registered Educational Savings Plan. A savings plan designed to help an individual save for the purpose of providing for university education. Receipt of the income is treated on a preferred basis if used for specified university purposes.



### **Retail**

Individual and institutional customers as opposed to dealers and brokers.

### **Retail investors**

Investors who usually have smaller sums to invest.

### **Retained Earnings**

The accumulated profits of a company. These may or may not be reinvested in the business.

### **Retainer**

A fee paid up front to a professional for services to be performed.

### **Retiring Allowance**

The amount money in a lump sum or in equal payments that is received by an employee upon retirement or upon the death of his or her spouse.

### **Retractable**

Bonds or preferred shares that allow the holder to require the issuer to redeem the security before the maturity date.

### **Reverse Mortgage**

Reverse mortgages allow individuals with significant equity in their homes to use it as a source of income. Individuals receive either a lump sum or a series of payments and use their residence as collateral. The principle and interest is repaid from the estate upon death or sale of the home. Reverse Mortgages are currently available to residents of British Columbia and Ontario. The amount of equity ranges from 15% to 45%.

### **Revolving Credit**

Credit that you can use from time to time to buy various goods or services of varying cash value (also called vendor credit).

### **Revolving Line of Credit**

Is designed a short-term financing loan. Normally associated with business activities where the interest is linked to the lenders prime rate.

### **Revolving Loan**

(Also known as borrowing via overdraft) A variable rate operating line of credit. It provides a credit facility on your business account up to a pre-



approved limit.

## Rider

A clause or a condition in an insurance policy which may restrict, add to or more specifically define applicable coverage.

## Right Of Survivorship

The right to succeed to the ownership or part ownership of property as the result of the death of an owner or part owner.

## Rights

Options granted to shareholders to purchase additional shares directly from the company concerned. Rights are issued to shareholders in proportion to the securities they may hold in a company.

## Risk

1. The possibility that some invested funds will be lost through a decline in the value of the investment.

2. Degree of uncertainty of return of asset.

We have defined the following 13 types of risks separately, they are shown below as Adjusted assets, Company Risk, Credit Risk, Currency risk, Economic Risk, Industry Risk, Inflation Risk, Interest Rate Risk, Liquidity Risk, Market Risk, Political Risk, and Reinvestments.

## Risk - Adjusted Assets

Assets categories are assigned pre-determined risk weighting factors. The asset face values are then adjusted by the risk weighting factors in order to reflect a comparable risk per dollar among all types of assets.

## Risk - Company

When you buy shares, you buy part of a business. Even in booming industries, poorly run business' lose money over time.

## Risk - Credit

This is a prime concern for the income investor. What are the chances that the issuer of your bond will suspend interest payments or fail to pay back principal at maturity? What is the risk that dividends on your shares will be cut or skipped? Rating services assess those risks.

## Risk - Currency

This risk applies when your investment is made in foreign money. Perhaps you buy shares on the New York Stock Exchange, or purchase a mutual fund that invests outside Canada. When converted to Canadian dollars, your return will get an extra push up or down, depending on whether the Canadian dollar has gained or lost value.

## RISK - Economic

Some investments are more sensitive than others to changes in the economy. The auto industry is "cyclical." It tends to do well in good times and suffer in downturns. Utilities such as telephone companies are less sensitive..

## RISK - Industry

Some industries are inherently volatile, because the dramatic pace of change means a whole generation of technology can quickly become outdated. Examples include the computer and health industries.

## RISK - Inflation

That's the risk that your investment won't keep up with inflation. It's a major concern for those who buy GICs and other seemingly "risk-free" investments. Say you buy a 5 year GIC that pays 8%. remember that this income stream is fixed for 5 years. If inflation averages 5% a year between now and maturity, your "real return" is only 3%. Real return is the difference between the stated return and the inflation rate.

Moreover, if that GIC is not held in an RRSP or some other tax shelter, you must pay tax on the interest each year. Say your marginal tax rate is 40%. That cuts your 8% GIC rate to 4.8% after tax (  $8 \times (1.00 - 0.40)$  ).

Now subtract the 5% inflation rate and you'll see you're actually losing money - or at least purchasing power - on a risk-free GIC. The same goes for Canada Savings Bonds, though their rates are adjusted each year

## Risk - Interest Rate

This is related to inflation risk. As inflation goes up, so do interest rates on newly issued bonds and other fixed-income vehicles. As interest rates rise, the market value of previously issued instruments fall. Conversely, as interest rates fall, those values rise. That is a big concern for an investor who has to sell a bond before it matures.

## Risk - Liquidity

How easily can you get at your money without

undue capital loss? A bank account is highly liquid and carries no risk of capital loss - as long as you're within deposit insurance limits. But it yields very low returns. Stocks and bonds are highly liquid and offer higher returns, but greater capital risk. Residential real estate is liquid when the market booms, but you'll get hammered if you have to sell when the market is down.

### **Risk - Market**

That's the risk associated with just being in the market. A market plunge will hit the shares of even the world's best companies. You might own the nicest home in the area, but an overall slump in housing will reduce its value. What you paid for something is irrelevant; it's worth only what someone will pay when you go to sell.

### **Risk - Political**

Government action affects every investment, either directly, through changes in tax or zoning laws, or indirectly, through economic policy. The longer you hold your investment, the more you run the risk that politicians and bureaucrats will change the rules.

### **Risk - Reinvestment**

The risk that proceeds received in the future will have to be reinvested at a lower potential interest rates.

### **Risk -Premium**

The difference between the required rate of return on a riskless asset with the same expected life.

### **ROE**

Return on equity.

### **Roll Over**

Reinvest funds received from a maturing security in a new issue of the same or a similar security.

### **Rollover**

The transfer of property from one person or situation to another without triggering tax at the time of transfer: e.g., from an RPP to an RRSP.

### **Round Lot**

In the money market, round lot refers to the minimum amount for which dealers' quotes are good. This may range from \$100,000 to \$5

million, depending on the size and liquidity of the issue traded.

### **Royalty Trusts**

An investment trust that gets income from royalties. The most common form of income is from owning a stake in an oil or gas well. Royalty trusts have many features in common with REITs.

### **RPP**

Registered Pension Plan. A government approved pension plan which allows both employee and employer to contribute to save for retirement.

### **RPP**

Registered Pension Plan. A government approved pension plan which allows both employee and employer to contribute to save for retirement.

### **RRSP -Ancillary Benefits**

Benefits offered by an employer's pension plan in addition to the regular payout. For example: inflation-indexing, bridging benefits that top up an early retiree's payments until Canada Pension Plan and Old Age Security kick in, and death benefits. These are "free" benefits in that they don't increase the pension adjustment or generate a past-service pension adjustment.



### **RSP - Offset**

The pension adjustment for a member of a defined-benefit registered pension plan is reduced by \$1,000. This is to enable most members of "Cadillac" pension plans to contribute at least \$1,000 to their RRSPs each year. Cadillac plans are top-of-the-line.

### **RSP - Portability**

Refers to the ability to transfer the accumulated pension benefits of a plan member to another pension plan or to a locked-in RRSP when an employee retires or change jobs.

### **RSP - Spousal RRSP**

Provides a married person the opportunity of

contributing to a spouse's RRSP, while claiming the deduction from his own income.

### **RSP -Carry-forward**

Starting 1991, if you don't make your full RRSP contribution each year, you can "bank" it for use in later years.

### **RSP -Contribution Room/Limit**

Your total tax-sheltered retirement savings limit for a given year has two parts: the pension adjustment and your RRSP. The pension adjustment (see below) puts a value on your employer sponsored plan, in any. The better the plan, the lower your personal RRSP limit, or RRSP contribution room.

### **RSP -Deduction Room/Limit**

Many advisors use this term instead of contribution room/limit to refer to pension and RRSP limits. They view contribution room/limit as the total of your deduction room/limit plus whatever is left of your deduction room/limit of your new lifetime penalty-free \$8,000 overcontribution cushion. The Income Tax Act uses the term "deduction limit", but several government publications seem to use that and contribution limit interchangeably. You figure it out!.

### **RSP -Deferred Profit Sharing Plan (DPSP)**

One form of tax-sheltered. Employer-sponsored savings plan. The employer must make at least a minimum contribution when there are profits to support it. You may generally make cash withdrawals when you quit or retire. How much you receive depends on how much the employer contributes and how well that money is invested.

### **RSP -Designated Plan**

A new category of defined-benefit registered pension plan. It applies when more than 50% of the plan's active members are "connected persons" or earn more than 2 and one half times the average industrial wage. A connected person is someone who owns at least 10% of any class of the company's shares or doesn't deal at arm's length with the employer. There are special rules to ensure these people don't give themselves overly generous tax-sheltered pension plans.

### **RSP -Overcontribution Cushion**

A penalty-free lifetime allowance of \$8,000. The tally begins with overcontribution for 1991. This cushion was designed to provide leeway for mistakes and to accommodate past-service pension adjustments. To ensure parents don't improperly shelter money in their children's names, this cushion is available only to adults. Over contributions aren't tax deductible for the year they're made, but can be allocated to future years' RRSP limits, generating tax deductions then. Overcontributions beyond the cushion are taxed at 1% per month.

### **RSP Pension Adjustment (PA)**

The deemed value of credits earned in an employer-sponsored plan. Your RRSP contribution room is reduced by this amount. Your employer must calculate the PA, and report it in the T4 tax slip issued in February.

### **RSP -Registered Pension Plan (Defined Benefit)**

Defined-benefit plans cover more people than any other form of RPP. The employer promises to fund a pension based on a set formula - for example: 1.5% of average salary for the final three years of service. Because these credits represent future income, not current contributions, their PA calculation can be complex.

### **RSP -Registered Pension Plan (Defined Contribution)**

Also known as a money-purchase plan. The employer promises to contribute a set amount each year, but your pension amount isn't guaranteed. It will depend on how well the fund is invested and on interest rates at the time you retire.

### **RSP -Registered Pension Plan (Specified Multi-Employer Plan)**

A SMEP is a special type of RPP for unionized employees. It requires a fixed employer contribution - like a defined contribution plan - but provides retirees with a defined-benefit pension. There are special PA calculation rules for SMEPS.

### **RSP -Vesting**

When credits vest, you become fully entitled to

the future pension you've earned - or in the case of a defined-contribution plan, to the money contributed by your employer. That means you won't lose that money when you change jobs.

### **RSP -Yearly Maximum**

#### **Pensionable Earnings (YMPE)**

An amount determined by the government based on the average industrial wage. For 1991, it's \$30,500. This amount is used to set Canada Pension Plan contributions. Many defined-benefit plans also use it in calculating their benefit payouts. (See tax guide).

### **Rule of 72**

A way to determine the effect of compound interest.

How long will it take your money to double if you invest it at 8%, keep reinvesting the interest received and earn 8% on all investments? Use the Rule of seventy-two: divide 72 by the rate of interest and you get the number of years it takes to double your capital. Seventy-two divided by 8 is 9. In nine years you'll double your money; in eighteen years you'll quadruple it.



Another way to look at the Rule is.

72 ÷ 1% growth=money will double in 72 years

72 ÷ 3% growth=money will double in 24 years

72 ÷ 6% growth=money will double in 12 years

72 ÷ 9% growth=money will double in 8 years

72 ÷ 12% growth=money will double in 6 years

72 ÷ 15% growth=money will double in 4 years and 10 months

for example: **\$2,500 @ 12% will grow to \$5,000 in 6 years**

### **Safekeeping**

For a fee banks will safekeep (i.e. hold in their vault, clip coupons on and present for payment at maturity) bonds and money market instruments.

### **Safety of Principal**

Safety of principal is an objective that emphasizes the security of the invested principal.

### **Sale**

The transfer of ownership of an asset for a consideration, however small. If the two parties of the sale are not the dealing at arm's length, Revenue Canada may assess capital gains tax

against the seller based on assessed fair market value of the asset sold.

**Save Harmless** Also called an "indemnity clause," is when one party to a transaction tries to protect itself from a past or future liability and harmless if a suit is brought.

### **Savings Deposit A/C**

Interest-bearing deposit at a savings institution that has no specific maturity. Savings accounts features Daily or Monthly interest, some may have chequing privileges .

### **Schedule I Banks**

A designation in the Bank Act that refers to Canadian-owned banks that are widely held, i.e. ones in which no one owner holds more than 10% of the shares.

### **Schedule II Banks**

A designation in the Bank Act that refers to Foreign-owned banks and closely head Canadian banks i.e. ones in which an owner hold more than 10% of the outstanding stock.

### **Scholarship Trust**

Another name for a pooled RESP.

### **Seasoned Issue**

An issue that has been well distributed and trades well in the secondary market.

### **Second Mortgage**

A mortgage loan granted when there is already one other mortgage registered against the property. In case of default, the first mortgage is paid before the second mortgage from the proceeds of the sale of the property.

### **Secondary Market**

The market in which previously issued securities are traded.

### **Sector Fund**

This is a stock mutual fund that invests in only one industry. E.g.:- Gold, Resources, Financial Services etc.

## **Securities & Exchange Commission (SEC)**

Agency created by the U.S. Congress to protect investors in securities transactions by administering various securities acts.

## **Securities Act**

Provincial legislation regulating the underwriting, distribution and sale of securities.

## **Securities/Investment Dealer**

One who acts as the agents for another party to buy and sell securities and other investments; also an underwriter.

## **Securities**

The general term for publicly traded stock, bonds, and other financial instruments.

## **Security (Real Estate)**

Property offered as backing for a loan. In the case of mortgages, the property being purchased with the loan usually forms the security for the loan.

## **Seed Capital / Financing**

Equity and Loan capital provided for a new venture or existing business. The first people/firm contributing capital for a start-up business, normally other than the proprietors.

## **Segmented Plan**

A financial plan designed to help clients achieve determined objectives in a single area of their financial situation, or to solve a specific problem (also referred to as a single-purpose plan).

## **Segregation**

The process of ensuring that key players are not exposed to the same risk simultaneously.

## **Self Administered Plan (See also RRSP/RRIF)**

A plan in which planholders have the right to choose their own investments and administrator.

## **Self-Insurance**

Accepting financial responsibility for the results of insurable hazards rather than transferring that responsibility to an insurer by taking out an insurance contract and paying premiums to provide such protection.

## **Self-Regulatory Organization (SRO)**

Under provincial securities laws, a securities commission may recognize an SRO if it is satisfied that doing so would be in the public interest. This allows the SRO to regulate the standards of practice and business conduct of its members and their representatives in accordance with its by-laws, rules, regulations and policies with the objective of protecting investors and the public interest.

## **Selling Group**

Investment dealers who assist a banking group in marketing a new issue of securities in order to obtain wide distribution. These dealers do not assume financial responsibility for the underwriting of the issue as the banking group does

## **Semi-Annual Coupon**

One-half of the total annual coupon amount is paid every six months on a bond with a semi-annual coupon.

## **Semi-Annually**

Refers to interest that is calculated twice per year.

## **Senior Debt**

A term used to describe debt instruments that are providing financing with primary security marked against either specific or all assets of the borrower. Have fixed terms of repayment either have fixed or floating interest rates of return.

## **Seniors Benefit**

OAS age and pension credits are to be replaced with the Seniors Benefit Program in the year 2001. If the change take affect then payments will be tax free and indexed to inflation. With certain income limits restrictions, conditions and exceptions.

## **Servicing (Mortgage)**

All the steps and operations a lender performs to keep a loan in good standing, such as collection of payments, payment of taxes, insurance, property inspections and the like. .



## Settlement Date

The date on which a trade is cleared by delivery of securities against funds. The settlement data may be the trade date or a later date.

## Settlement Points

Regional collection points in the clearing and settlement system operated by the CPA. Settlement points forward each bank's regional balance to the bank of Canada in Ottawa at the end of each day to allow the central bank to adjust the bank's balances with the central bank.

## Settlor

The person establishing and transferring assets to a trust, also known as the grantor.

## Share

A legal document representing partial ownership of a corporation.

## Shareholder

The owner of a share or shares; hence a part-owner of a corporation.

## Shareholders' Equity

See net worth.

## Shopping

Seeking to obtain the best bid or offer available by calling a number of dealers and/or brokers.

## Short-Term Debt

A money market security, or another form of loan with no more than two or three years before repayment is expected.

## Short-Term Deposit

A deposit of money into a bank, trust company, credit union or savings association for a period of time ranging normally from one day (normally called overnight money) through 30 to 365 days.

## Simple Interest

Interest which is computed only on the principle balance.

## Simplified Prospectus

An abbreviated and simplified prospectus distributed by mutual funds to purchasers and potential purchasers of units or shares.

## Single Premium Policy

A whole life policy for people who want pay a single one-time lump sum (premium), and then be covered for the rest of their lives without paying any additional premiums.

## Sinking Fund

Indentures on corporate issues often require that the issuer make annual payments to a sinking fund, the proceeds of which are used to retire randomly selected bonds in the issue.

## Small Cap

A small cap stock is one issued by a company with less than \$500 million in market capitalization.

## Smart Card

A card with an imbedded computer chip which stores more information, performs more functions and is more secure than a credit card or debit card.

## Social Insurance

Government-administered insurance designed to ensure social adequacy, where the recipients of the benefits generally contribute to a portion or all of the costs of a program.

## Solvent

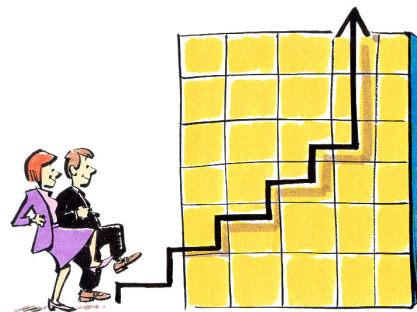
Being able to meet maturing obligations.

## Special Opportunity Grants

The federal government grants are available to certain recipients of Canada student loans. Eligible categories are female doctoral students, students who have permanent disabilities, and high-need part-time students.

## Speculative Risk

Risk that has the potential for loss, the potential for gain or the potential for no change.



## Spot Market

Market for immediate as opposed to future delivery. In the spot market for foreign exchange, settlement is two business days ahead.

## Spot Rate

The price prevailing in the spot market.

## Spousal RRSP

An RRSP where one spouse makes the contributions and claims the tax deductions, but where title to the plan proceeds is in the name of the other spouse.

## Spousal Trust

A trust in which the spouse is the only person to receive income or capital from the trust during the spouse's lifetime, often with restrictions on removal of capital from the trust.

## Spouse's Allowance

A monthly pension payable to a spouse, widower who is aged 60 to 64 of an OAS pensioner.

## Spread

- 1) Difference between bid and asked prices on a security.
- 2) Difference between yields on or prices of two securities of differing sorts or differing maturities.
- 3) In underwriting, difference between price realized by the issuer and price paid by the investor.
- 4) The difference between two rates of interest, yield or currencies.

## Staggered Maturities

This is a key strategy for people who buy GICs or strip bonds for RRSPs. Instead of trying to guess interest rates, evenly divide your money over a range of terms so part comes due each year. That way you're averaging ups and downs.

## Standard Risk

A person who, according to a company's underwriting standards, is entitled to insurance protection without extra rating or special restrictions.

## Stock Exchange

A market for trading of equities, a public market for the buying and selling of public stocks. The four major exchanges are the Toronto, Montreal, Alberta and Vancouver Stock Exchanges.

## Stock Index Options

In major markets, the option on an index is a driving force in the momentum of the cash market. The most widely followed in North America is the option the S&P 500 index and moves in the market for this option typically are a leading indicator for the direction of prices in the cash market for stocks in that index.

## Stock Linked GICs

A type of debt security sold to individuals by banks and trust companies. The principal investment is guaranteed by CDIC. Any return is NOT. The return on the investment is subject to how well the stock market performs and if linked to an index (E.g., TSE-500) how it performs.

## Stock Options

Rights to purchase a corporation's stock at a specified price.

## Stock Picking

Investors analyze individual stocks and select the most promising ones in this active, investments strategy.

## Stock-Option Plan

This type of plan allows an employee to buy a set number of shares of a company's stock at a future date at a set price.

## Stop-Loss Order

This is when you tell your broker to sell the stock if it drops to a certain price.

## Strip-Bonds

The capital portion of a bond from which the coupons have been stripped (removed). The holder of a strip bond is entitled to its par value at maturity., But not the annual interest payments.

## Subordinated Debentures

Corporations will meet their obligations to holders of more senior securities before paying their debts to holders of subordinated debentures. The latter's rights are subordinated to those of other creditors.

## Subordinated Debt

Where one lender has agreed in writing to rank behind another, typically a bank will insist that

any shareholder loans be subordinated to any loan the bank has made.

### **Substandard Risk**

A person who is considered an under-average or impaired insurance risk because of a physical condition, occupation, personal or family disease or dangerous habits or hobbies.

### **Succession Duties**

A direct tax levied by some provinces (Quebec, Ontario, Manitoba and Saskatchewan) on value transferred at death on those who receive the property.

### **Succession Duty Releases**

Permission granted by a provincial succession duty department to transfer or dispose of assets before a full accounting has been made to the department for purposes of determining duty payable.

### **Succession Planning**

For a business is planning for the next generation of owner/managers to succeed the current owner/manager.

### **Surety**

The first party in a bond. The surety agrees to answer to the second party, the obligee, for the default, failure to perform or dishonesty of the third party, the principal.

### **Survey (Mortgage)**

A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any buildings.

### **Swaps**

The ability of a shareholder to transfer investments from one mutual fund to another within a "family" of funds managed by the same company. This exchange or swap may or may not be accompanied by a transaction fee which is based on the asset value of the transfer.

### **Sweat Equity**

Equity created by a purchaser performing work in your own business or in real estate on a property being purchased.

### **Syndicate**

A combination of persons or corporations to achieve a common business purpose.

### **Syndicated Loan**

Loans to a company back by a group of banks in order to share the risk in a large transaction among several financial institutions. There is usually a lead bank and several participating bank of other type of financial institutions .

### **Systematic Risk**

Any uncertainty that affects the whole market such as political, social and economic decisions.

### **Systematic Withdrawal Plan**

Plans offered by financial institutions allowing the investor to receive payments from their investment at regular intervals.

### **TFSA**

Commonly used to refer to the Tax Free Savings Account, which includes both a Tax Free GIC and Tax Free High Interest Savings Account for individuals only – no joint accounts.

### **TFSA allowance**

Also known as Contribution room, this is the total amount you can contribute to your TFSA accounts in any given year. In 2009 the amount is limited to \$5,000. The maximum contribution will be set and may be adjusted yearly by the CRA. To each year's new TFSA Limit, you can also contribute any amount under the maximum contribution that you did not meet the previous year, as well as the sum total of the previous year's withdrawals.



## Target market

The group of customers to whom a business wishes to sell or focus its services or products.

## Tax Credit

An income tax credit that directly reduces the amount of income tax paid by offsetting other income tax liabilities.

## Tax Deduction

A reduction of total income before the amount of income tax payable is calculated.

## Tax Shelter

A form of investment that in some legal manner reduces or defers the taxes an investor must pay.

## Taxable Benefit

An employee benefit paid for by an employer, on which the employee is taxed.

## Taxable Income

Includes income from all sources, before deduction.

## Tax-Deferred Annuity

A tax-deferred annuity is a type of investment that guarantees payment of specific amounts of money at specific times, or a single lump sum payment. It also allows for the postponement (but not eliminate) taxes on earnings. You only pay tax when you receive money from the annuity.

## Tax-Deferred Savings

An RRSP is an example of a tax-deferred savings plan (but don't eliminate). Unlike taxable savings, the taxes on the interest, dividends and capital gains of the tax-deferred savings are postponed until you cash them in or draw income from converting the RRSP into an RIF or other type of income withdrawal plan.

## Technical Analysis

A form of investment research that focuses on information and events in the marketplace itself, generally without reference to the fundamental underlying the issuers of the securities traded in the market. Hence, a stock market technician might look at stock prices and trading volumes in an effort to determine where prices were going in the future.

## Tenant

The holder of a leasehold estate (also called a lessee)

## Tenants In Common

Two or more people who own the same piece of property, with the inherent condition that if one of the tenants die, his interest automatically passes on to his heirs.

## Term (Real Estate)

The length of time which a mortgage agreement covers. Payments made may not fully repay the outstanding principal by the end of the term because the amortization period is longer.

## Term Bonds

A bond issue in which all bonds mature at the same time.

## Term Insurance

Life insurance which pays if death occurs within a stated period of time. There is not usually a cash value under a term insurance policy.

This is a life insurance pure and simple. You choose the number of years (the term) you are insured and the amount your survivors get if you die within that term. The term you choose can be for a given number of years, for example 10 or 20, or up to a certain age, for example 65 or 100. The main features of term-to-100 policy are: 1. Fixed premiums, 2. Fixed death benefits, 3. No cash value.

## Term Loan

Loan extended by a bank for more than the normal 90-day period. A term loan might run 5 years or more.

## Term Or Time Deposit

Interest-bearing deposit at a savings institution that has a specific maturity.

## Term To 90 Annuity

An annuity that pays a fixed amount each year until it is exhausted in the year that the annuitant turns 90.

## Testamentary Trust

A trust created under the terms of a will and takes effect on the death of the testator.



**Testate** Refers to a person who has died leaving a valid will

### **Testator/Testatrix**

The person who is making a will in their own name.

### **Third-Party Collection Agency**

Holds information about any involvement with a collection agency trying to settle a debt.

### **Ticker Symbol**

A ticker symbol is a combination of letters that identifies a stock-exchange security. Often, it is the truncated or abbreviated name of the company or group issuing the security. For example BCE stands for (Bell Canada Enterprises) and DJ30 stands for (Dow Jones 30).

### **Time Value of Money**

Because money invested in a security or deposited in a savings account will earn income over time, there is a value placed on the use of money for any given period. This value is represented, for example, by the rate of interest paid on a savings account. This concept is central to much of investment valuation theory, particularly as regards debt instruments.

### **Time-Weighted Return (TWR)**

A time-weighted return is a measure of the performance (income and price changes) of investments independent of the amount of money invested. Because the TWR is expressed as a percent gain or loss, it's makes for a easy comparison with other percent changes for the same time period.

By annualizing the TWR and expressing it as an interest rates that you can easily compare it with other interest rates for the same time period.



### **Timing The Market**

The method investing by timing market highs ("sell" points) and market lows ("buy" points).

### **Title Search**

An examination of municipal records to determine the legal ownership of property.

### **Title**

A document that gives evidence of an individual's ownership of property.

### **Top-Down**

A management style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding the financial markets and various industry sectors. The top-down manager selects a portfolio of individual securities within the favored sector. (See bottom-up)

### **Total Debt Ratio (TDS) (Real Estate)**

The percentage of gross annual income required to cover payments associated with housing and all other debts and obligations, such as payments on a car loan.

### **Trade Balance**

The value of exports minus the value of imports.

### **Trade Date**

The date on which a transaction is initiated. The settlement date may be in the trade date or a later date.

### **Trade Information**

Provides details of your credit transactions and shows whether payments are being made. Each of these "trade" items is evaluated by the credit grantor.

### **Transfer Fee**

Fee payable on a internal transfer of units from one Fund to another Fund.

### **Treasury Bill**

A non interest-bearing discount security issued by the Canadian Treasury to finance the national debt. Most bills are issued to mature in 3 months, 6 months, or 1 year.

## True Savings Account

An account at a bank, trust company, loan association or credit union on which interest is paid, but provides no checking privileges.

## Trust Company

A company formed under The Loan and Trust Act and operates as a private intermediary and also acts as a deposit-accepting institution which also makes loans. A person or an individual who works in the estate planning department of a trust company.

## Trust Officer

A person who works in the estate planning department of a trust company.

## Trust

A bequest or device which puts legal title and control of property in the hands of a party (trustee) for the benefit of another party (beneficiary).

## Trustee

A person who administers assets held in trust for another person.

## TSX Index

### (TSX 35) TORONTO 35 INDEX

An index of 35 liquid Canadian stocks, including stocks from most subgroups, but excluding Real Estate & Construction.

### (TSX 100) TORONTO 100 INDEX

An index of the top 100 companies in the Toronto 300 Index, ranked by quoted market value.

### (TSX 300) TORONTO 300 INDEX

An index of 300 Canadian stocks, in fourteen subgroups, designed to represent the Canadian equity market.

## Tuition Tax Credit

A non-refundable credit for tuition fees paid to a university, college or other institution where post-secondary level courses are offered.

## Types of Mutual Funds

**Canadian Equity Funds:** invest primarily in common stocks and other equity securities of Canadian companies.

**Canadian Resource Equity Fund:** Invest in the Canadian resource sector, such as forestry, mining, oil and gas stocks.

**U.S. Equity Funds:** Invest a large portion of assets in common stocks and other equity securities of

U.S. companies.

**North American Equity Funds:** Invest in Canadian and U.S. equity securities, but may hold Mexican equity securities.

**Global Equity Funds:** Invest in common stocks and other equity securities of foreign and Canadian issuers. A fund's investments are not limited geographically.

**International Equity Funds:** Invest primarily in common stocks and other equity securities of foreign issuers. No Canadian securities.

**Asia-Pacific Rim Equity Funds:** Invest primarily in common stocks and other equity securities with principal business activities in one or more Asia-Pacific Rim region countries.

**European Equity Funds:** Invest primarily in common stocks and other equity securities of companies with principal business activities in one or more European countries.

**Dividend Funds:** Invest in high dividend-paying preferred (and sometimes common) shares of Canadian companies.

**Canadian Bond & Income Funds:** Invest primarily in fixed-income securities of Canadian government and corporate issuers.

**U.S. & International Bond & Income Funds:** Invest in U.S. and foreign government and corporate securities, or in Canadian government and corporate securities in U.S. or foreign denominations.



## U.I.

Unemployment insurance.

## Under Perform

When a investment or portfolio is expected to appreciate at a slower rate than the overall market Because of the type or mix of securities held.

### **Undercovered / Naked Writer**

A writer/seller of an Option who does not own an equivalent position in the underlying interest.

### **Underlying Security**

Options: the security subject to being purchased or sold upon exercise of an option contract. For example, Bell Canada stock is the underlying security to Bell Canada options. Depository receipts: The class, series and number of the foreign shares represented by the depository receipt. The securities held in a mutual fund.

### **Underwriter (Banking)**

A person, banker or group which guarantees to furnish a definite sum of money by a definite date in return for an issue of bonds or stock. In insurance, the one assuming a risk in return for the payment of a premium, (i.e., the company), or the person who assesses the risk and establishes premiums rates and extent of coverage.

### **Underwriter (Investments)**

In the bond/stock market means a brokerage firm or group of firms that has promised to buy a new issue of bonds/shares from a government or company at a fixed discounted price, then arranges to resell them to investors at full price.

### **Underwriter (Life)**

The Insurance company receiving premiums and accepting responsibility for fulfilling the policy contract. Also, a company employee whose job is to decide whether the company should assume a particular risk.

### **Undivided Interest**

When two or more people hold title to property as tenants in common, this refers to their equal entitlement to use the entire property.

### **Unemployment Rate**

The number of people unemployed measured as a percentage of the labor force.

### **Unencumbered**

Free and clear of all liens.

### **Unfunded Debt**

Debt maturing within one year (short-term debt). Funded debt is maturing beyond one year.

### **Uninsurable Risk**

A person who is not acceptable for insurance due to excessive risk.

### **Unit Benefit Plan**

A type of defined benefit plan under which the pension earned each year is established by formula.

### **Unit Trust**

An unincorporated fund whose organizational structure permits the conduit treatment of income realized by the fund, also, the name used in the U.K. that describes a Mutual Fund share.

### **Universal Life Insurance**

Universal life insurance (like whole life insurance) provides coverage for your entire life and builds up savings over time. Unlike whole life, you can use the interest from your accumulated savings to help pay your premiums, which are flexible. The people you name as beneficiaries collect a death benefit if you die while covered.

### **Unsecured Loan**

Loans that rely solely on your credit history, reputation and integrity to ensure payment.

### **Unsystematic Risk**

The uncertainties that are specific to one particular company and do not affect the market as a whole.

### **Unused RRSP- Carried Forward**

If a taxpayer has not contributed the maximum allowable RRSP contribution during a year the excess (carry forward room) amount can be carried forward for up to six years. This increases the maximum allowable RRSP contribution for future years.

### **Vacancy Rates (Real Estate)**

The amount of vacant space divided by the total inventory, and expressed as a percentage.

### **Vacant Space (Real Estate)**

The total amount of office space currently vacant. This statistic does not include space which is being marketed and not yet available. It does, however, include space which has been leased

but not yet occupied. These definitions prevent double-counting of vacancy and absorption.

### **Valuation**

Act of establishing the value of a property whether tangible or intangible.

### **Value at Redemption**

This is the dollar amount of your investment at the time you decide to sell, or redeem, your mutual fund. A back-end load calculated on the value of your investment when you sell, or redeem, it can significantly reduce your investment return. Refer to the example above under.

### **Value Averaging**

You determine how much you want at a future date and the growth rate required to get you there. Periodically value your account and top up or draw down to get back on track

### **Value Manager**

A manager who seeks to buy stocks that are at a discount to their "fair value" and sell them at or in excess of that value. Also called contrarians because they see value where many other market participants do not.

### **Variable Life Annuity**

An annuity providing a fluctuating level of payments, depending on the performance of its underlying investments.

### **Variable Life Insurance**

This type of insurance provides coverage for your entire life and builds up savings over time, much like "whole life insurance". People you name as beneficiaries collect a death benefit if you die while covered. Unlike "whole life" and "universal life insurance", you can invest your savings in one of several mutual funds, which often are managed by the insurance company.

### **Variable-Rate Loan**

Loan made at an interest rate that fluctuates with the prime.

### **Variable-Rate Mortgage**

A mortgage loan for which the rate of interest changes as money market conditions change, usually not more than once a month. The monthly payment stays the same for a specified period.

However, the amount applied towards the principal changes according to the change (if any) in the rate of interest.

### **Vendor Take Back (Real Estate)**

Vendor Take Back Mortgage is where the seller (vendor) of a property provides some or all of the mortgage financing in order to sell the property.

### **Venture Capital**

A common term for funds that are invested by a third party in a business either as equity or as a form of secondary debt. In the event of failure or business wind-up. These funds rank behind all other secured creditors.

### **Vested**

You are vested if you are entitled to receive benefits (normally a pension plan or a deferred profit sharing plan) from a current or former employer.

### **Vesting**

The process by which an employee obtains full credit for the employer contributions into a benefit plan (normally a pension plan or a deferred profit sharing plan).

### **Viatical Settlement**

The proceeds received from the sale of a life insurance policy, on the life of a terminally ill individual, to a third party.

Settlement companies purchase these policies at a discount of the face value and the insured receives a lump sum payment.

The company becomes the owner and beneficiary of the policy, pay all future premiums and collects the proceeds when the insured dies.

### **Volatility**

In its standard definition, volatility is a measure of the rate of change in the price of a security over a specified time. The usual yardstick is standard deviation from average price. Volatility also has become a sophisticated security in the over-the-counter market where investors take on risks of volatility in security, the process that works much like an expensive insurance policy in high-risk markets.

### **Voluntary Accumulation Plan**

A plan offered by financial institutions whereby an investor over agrees to purchase investment units or make contributions towards an RRSP,



the amount is normally predetermined and made via a Pre-authorized Cheque (PAC).

### **Voting Rights**

Shareholders are given voting rights if they own common stock and this right allows the shareholder a voice in determining the directors of the company and company policy.

### **Warehousing**

The interim holding period from the time of the closing of an issue to its subsequent marketing to capital market investors.



### **Warrants**

Sometimes come with a new issue of corporate bonds to make them more attractive. Normally, they are options to buy more shares in the company at a fixed price at any time before a certain date. Sometimes, you get the right to buy something else such as a bond or commodity such as gold. After the initial sale, they are usually detachable and traded separately.

### **Wash**

Gains equal losses.

### **Watch List**

A list of firms or securities selected for special surveillance by a brokerage, stock exchange or provincial regulatory organization; firms on the list are often takeover targets, companies planning to issue new securities or stocks showing unusual activity.

### **White Knight**

A friendly potential acquirer of a firm sought out

by a target company that is threatened by a less welcome suitor.

### **Whole Life**

Life insurance which pays whenever death occurs. Whole life insurance has cash values. (Also called straight life or ordinary life.)

### **Widely Held**

Very large companies are deemed to be widely held, i.e., no one party is owning more than 10% of the outstanding shares. Deferent percentages are used to describe this term.

The process of making your will valid. Usually involves formalities in regard to signing by the testator and witnessing of that signature.

### **Will**

A legally enforceable declaration of a person's wishes relating to matters to be dealt with after his death and inoperative until his death. A will is revocable or can be amended by a codicil up to the time of death, and is applicable to the situation which exists at the time of death.

### **Withdrawal Plan**

The ability to establish automatic periodic redemption's from a mutual fund or registered retirement plan and have proceeds mailed directly to the investor

### **Withholding Tax**

A tax levied on dividends paid abroad or levied by the trustee of a retirement savings plan on early encashment or other withdrawals within a certain time frame. A tax levied by a country of source on income paid, usually on dividends remitted to the home country of the firm operating in a foreign country.

### **Wrap Account**

An account offered by investment dealers whereby investors are charged an annual management fee based on the value of invested assets.

### **Yankee bonds**

Foreign bonds denominated in US\$ issued in the United States by foreign banks and corporations. Likewise for example, bonds issued by originators with roots in and by Canadian firms in Europe are called Euro-Canadian bonds.

## **Yield (Weighted-Average Portfolio)**

The weighted average of a yield of all the bonds in a portfolio.

## **Yield Curve**

A graph showing, for securities, that all expose the investor to the same credit risk, the relationship at a given point in time between yield and current maturity. Yield curves are typically drawn using yields on governments of various maturities.

## **Yield Spread**

The difference, generally in yield to maturity, between two bonds. The histories of such comparisons are often examined as a means of deciding on the ratio of income produced by an investment relative to its purchase price or current market value, expressed as a percentage.

## **Yield**

The return on an investment, expressed as a percentage.

## **YMPE (Year's Maximum Pensionable Earnings)**

The YMPE is used in determining maximum benefits and contributions to the Canada Pension Plan.

The YMPE for 1995 was \$34,900.

The YMPE for 1996 was \$35,400

## **Zero Balance Account or Impress Account**

A chequing account in which zero balance is maintained by transfers of funds from a secondary (impress) account to a master account.

## **Zero Coupon Bonds**

A bond that pays no interest and is initially sold at a discount (See Strip Bonds)

## **Zero-Sum Game**

A type of game when one player can gain only at the expense of the other player.

Estate Planning



### The Prudent Canadian's Guide to Effective Estate Planning

The essence of estate planning is thinking about the future, and developing a program to create, preserve, and transfer assets. Estate planning is about life - now and in the future. Most importantly, it's about the life of your family and loved ones, and the peace of mind that comes with ensuring their financial security.

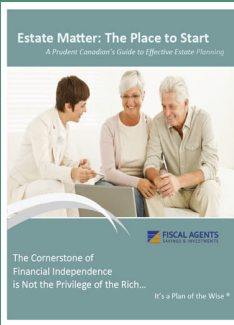
Estate Planning



### Why You Need an Estate Plan: 10 Simple Steps

Getting started with Estate Planning can seem like a daunting task. Inside this document you'll find the process broken down into steps - from selecting professionals to hire, setting up a balance sheet, understanding the role of insurance and more.

Estate Planning



### Estate Matter: The Place to Start

For most people, estate planning is a difficult subject to discuss and to plan for, because it forces us to come to terms with our own mortality.

Yet it is something you need to discuss openly with your loved ones today, because you can't do so after you're gone.

Estate Planning



### Estate Planning: Being an Executor What are your responsibilities & obligations?

Being named as an executor of an estate is a big undertaking requiring a considerable amount of time and knowledge. You have been entrusted to handle the financial affairs of the deceased in their absence and owe it to them to make sure you know what is required of you.

Retirement Planning



### Financial planning your Retirement: How do you get started?

No matter what your age or stage of life, you should have some form of financial plan for retirement. It's said that financial planning for retirement should be a career long process, and the longer you are able to set money aside for retirement, the more compound interest will work for you.

Retirement Planning



### Incapacity: Planning ahead helps

Accidents and aging are a part of life. Like an up-to-date will, a power of attorney is an important tool in financial and estate planning. Planning ahead in case of serious disability or health problems allows decision-making relating to property or personal care to proceed without unnecessary disruption.

General Interest



### Financial Independence Checklist

Experience has shown there are six key principles to financial independence. Those who adhere to them are more likely to succeed. Those who don't jeopardize their chances at financial independence. In this document we describe the six principles in detail, and provide a brief explanation on how you can apply them to your situation.

General Interest

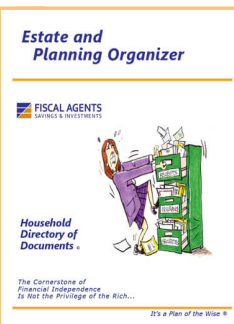


### Planning for your children's future

In today's hectic world, planning plays an important role in the way we live our lives. From major decisions to relatively minor issues, planning is what makes our lives run smoothly.

We often put off tackling the chore of making the most important choices: Planning for our future and the futures of our children.

Reference Guides

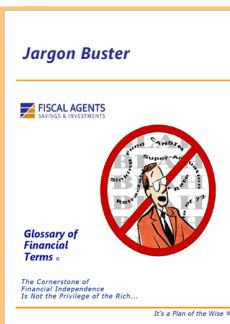


### Estate and Planning Organizer: Household Directory of Documents

A useful tool for anyone who understands the importance of keeping clear and concise records that, when completed, will be invaluable to you, your family members and loved ones, as well as to the executors of your estate.

This publication is completely interactive - you can add or update information to it whenever you like.

Reference Guides



### Jargon Buster: Glossary of Financial Terms

Designed for both the finance professional and the money market novice, with over 1,200 concise definitions of relevant terms used in the financial industry, the Jargon Buster touches on almost every facet of finance, investment and savings in a manner that is clear and easy to understand.