1. **Principle**: The amount of money invested or borrowed. The starting amount before interest is added to it. Example: The principle in Dave’s savings account was much greater than the interest it had earned.

2. **Interest**: The rate that the principle grows at over time, usually expressed as a percent. The amount of interest owed is based on the principle, the interest rate, and the length of time it is held. Example: Dave’s saving account earned only 0.5% interest.

3. **Simple interest**: Interest is calculated as a flat rate based solely upon the principle. Example: Amir borrowed $5000, he paid all of it back with simple interested.

4. **Compound interest**: Interest is calculated upon the principle and interest together. Compound interest is always greater than simple interest. Example: Amir would have owed more if he had to pay compound interest on the money he borrowed.

5. **Yearly**: Interest is calculated once per year. The value of n is 1. **NOTE**: n is the variable used in the formula for compound interest. You will learn about this later on.

6. **Semi-annually**: Interest is calculated twice per year, once every 6 months. \( n = 2 \).

7. **Quarterly**: Interest is calculated four times per year, once every 3 months. \( n = 4 \).

8. **Monthly**: Interest is calculated twelve times per year, once every month. \( n = 12 \).

9. **Weekly**: Interest is calculated fifty two times per year, once every week. \( n = 52 \).

10. **Daily**: Interest is calculated 365 times per year, once every day. \( n = 365 \).

11. **Amortize**: The length of time that a loan is paid out over. Longer amortization means less monthly payments but greater interest paid over time. Example: The Smiths amortized their house over 25 years.

12. **Default**: When a payment is missed on a load, the borrower is said to default on the payment. Example: Francine defaulted on her loan because she had no money in the bank.

13. **Collateral**: Something of equal or greater value than the borrowed amount which the borrower promises to surrender if the money owed is not paid. Example: Becky missed three payments on her loan so the collateral she promised was taken.

14. **GIC**: Guaranteed Investment Certificate – a means of saving money where the principle is safe and the interest is guaranteed. Example: Jim bought a $5000 GIC with 2% interest.

15. **RRSP**: Registered Retirement Savings Plan – a way of saving money which allows the investor to delay paying taxes on the principle and interest until later, usually after retirement. Example: Shirley invested $6000 every year into an RRSP to help her retire early.

16. **TFSA**: Tax Free Savings Account – a savings account usually operated by banks that allows you to save money but not pay interest on the interest earned. Example: Jerry was invested $1000 into a TFSA which earned 1.2% interest.

17. **Mutual funds**: a mixed group of stock market shares managed by brokers who attempt to maximize interest earned while managing risk. Example: Al lost much of his savings in the mutual fund that he invested in when the stock market collapsed.
Homework: Do the word search and crossword activities below.

Find all the words on the front of this sheet – underlined.