

Stock Market Index

- An index that measures the performance of a stock market
- For example, **the Standard and Poor's 500 (S&P 500)** is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The **DAX40** is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

ETF (Exchange-Traded Funds)

- Low-cost passive index funds designed to be traded “in real time” by active investors, generally tracking a specific index.
- For example, *The Amundi S&P 500 II UCITS ETF EUR Dist* seeks to track the S&P 500 index: <https://www.justetf.com/en/etf-profile.html?isin=LU0496786574>

Issuer

- Firms that issue shares (stocks) or bonds to raise capital from investors.

Dividends

- A sum of money paid regularly (typically annually or quarterly) by a company to its shareholders out of its earnings.
 - For example, you buy 10 shares of McDonalds, and each share is priced at 100\$.
 - Issuer (McDonalds) receive 1000\$ proceeds from you.
 - As a return, McDonalds pay you dividends. Assume they decide to pay 1\$ per share quarterly.
 - You receive 1\$ from McDonalds every quarter

Volatility

- Volatility is the degree of variation of a price series over time, usually measured by the standard deviation of returns.
- Assets with higher volatility are generally considered riskier, but may offer better returns.

Long/Short a Stock

- Take a Long position in a stock
 - Buy the stock
 - Bet that the price will increase (bullish position)
- Take a short position in a stock
 - Borrow the stock and sell it instantly, and then repurchase the stock back to return it (to cover the short position)
 - Bet that the price will decrease (bearish position)

Trust Fund

- Trust funds are legal arrangements that allow individuals (grantor) to place money or assets in a special account to benefit another person or entity (a beneficiary).
- A trustee legally decide how assets are to be used in a trust deed.
- The beneficiary will receive the assets to use as instructed by the trustees. Some parents leave money to their children to provide money for healthcare, education, or to help them launch a career.

Pension Pot / Retirement Pot

- Your pension pot is the total amount of pension contributions that you (and your employer) have saved for your retirement.
- A.K.A: Pension plan, Pension fund
- Most pension calculators show numbers that are in “today’s money”. This means they are based on what money is worth & what things cost today.
 - You receive 1000 dollars every month from state pension after retirement, what is the value of the pension payments as of today?
 - **Pension Plan:** You sign a six-year contract with your employer. The employer plan to pay in 10,000 every year in your pension pot. What is the pension pot worth in “today’s money”?

Treasury Bill or Treasury Bond

- A Treasury bill (T-bill) is a short-term U.S. government debt obligation backed by the U.S. Department of the Treasury.
- A treasury bond is a longer-term fixed-interest U.S. government debt obligation with a maturity of more than 10 years and which pays periodic interests.

Mortgage

- A mortgage is a loan used to purchase or maintain a home, plot of land, or other real estate.
- The borrower agrees to pay the lender (e.g., a bank) over time, typically in a series of regular payments comprising principal and interest.

Compounding

- Compound interest is interest accumulated from a principal sum and previously accumulated interest.