Grantley Speaking

Episode 19: Living Debt Free

1. **Mutual funds** - A mutual fund is a way for many people to pool their money and buy stocks, bonds or other securities. Mutual funds are divided into shares and each investor in the fund buys a number of shares that corresponds to the amount of money invested. Investors therefore participate proportionally in the gains or losses of the fund. The price of each share is known as the Net Asset Value (NAV). The NAV is simply the total value of the securities the fund owns divided by the number of the fund's shares outstanding.

2. **Investment** - An asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

3. **Investors** - An investor is any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns.

4. **Diversification** - Diversification can be neatly summed up as, "Don't put all your eggs in one basket." The idea is that if one investment loses money, the other investments will make up for those losses. Diversification can't guarantee that your investments won't suffer if the market drops. But it can improve the chances that you won't lose money, or that if you do, it won't be as much as if you weren't diversified.

5. **Returns** - A return, also known as a financial return, in its simplest terms, is the money made or lost on an investment.

6. **Mortgage -** A mortgage is a debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments.

   With a **fixed-rate mortgage**, the borrower pays the same interest rate for the life of the loan.

   With a **variable rate mortgage**, the interest rate is not fixed. Instead, interest payments will be adjusted at a level above a specific benchmark or reference rate. Lenders can offer borrowers variable rate interest over the life of a mortgage loan. They can also offer an adjustable rate mortgage which includes both a fixed and variable rate that resets periodically.

7. **Amortization Schedule** - An amortization schedule is a table that shows each periodic loan payment that is owed, typically monthly, and how much of the payment is designated for the interest versus the principal. Amortization tables can help a lender keep a track of what they owe and when, as well as forecast the outstanding balance or interest at any point in the cycle.

8. **Pre-paying mortgage -** Prepayment is an accounting term for the settlement of a debt or instalment loan before its official due date. When you prepay a mortgage, it means that you

make extra payments on your principal loan balance. Paying additional principal on your mortgage can save you thousands of dollars in interest and help you build equity faster.

9. **Principal** - The original sum of money borrowed in a loan or put into an investment.

10. **Interest rate -** In the case of debt this refers to the annual cost of credit, while regarding savings, it is the annual percentage growth of a savings account.

11. **1990s financial crisis in Barbados** – Barbados went into a deep recession in the 1990s after three years of steady decline. It was during that time that the then government introduced an eight per cent pay cut for public sector workers as a means of reducing state expenditure.

12. **(Capital) Growth Account** - A growth fund account is a diversified portfolio of stocks that has capital appreciation as its primary goal, with little or no dividend pay-outs. Growth funds are one of the main types of mutual funds.

    The Fortress Caribbean Growth Fund invests in equities in the Caribbean and around the world. The level of risk is moderate, and the fund seeks to provide attractive returns over the long-term. This fund is ideal for you if you have at least a five-year time horizon and want to enjoy the highest potential returns while limiting your risk. Investors can open a Fortress Caribbean Growth Fund account with a $100 minimum ("a Grantley") investment.

13. **The Children's Book of Money Sense -** A children's book by Sophie Giles designed to help children understand the real value of money and how to use it wisely. It includes a reward chart to record their successes.

14. **(Mortgage) Indemnity Insurance -**Mortgage indemnity is insurance which your lender may take out for its protection in case, at some future stage, you fall significantly behind with your mortgage payments and your lender has to repossess your property and sell it. If the property is sold for less than the amount of your outstanding mortgage, your lender can claim on the mortgage indemnity to recover some (or all) of its loss. The basic security for the mortgage is your property. The mortgage indemnity, therefore, acts as a form of additional security for your lender.

Definitions extracted from:

www.360financialliteracy.org
www.financial-dictionary.thefreedictionary.com
www.investopedia.com
www.marketbusinessnews.com
www.thebalance.com
www.thetipton.co.uk