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Money



The **Vocabulary** of
the Financial World

Sample Units

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Earning Money

When people work they produce something, and what they produce has value. In today's complex world, it is not always easy to understand how one kind of work has greater value than another kind of work. For example, a farmer produces food, which everyone needs, and a rock star produces music, which is not usually considered a need. But the difference between the **income** of the farmer and the rock star is huge. Of course, there are many reasons why there is such a difference. The farmer's production is somewhat limited, and even though the owner of a large farm may produce enough food to feed several thousand people, a rock star's hit song may be sold to millions of people, and the star's **royalties** from these sales may amount to millions of dollars. Rock stars can become millionaires. Farmers rarely do.

Another difference between the rock star and the farmer is that the farmer produces goods while the rock musician provides a service. Most of the world's jobs can be classified in this way. In general, complex societies have more people working in services.

Another way in which **employment** can be characterized is by its workforce. In general, "blue-collar" workers work with their hands and are paid hourly **wages**. "White-collar" workers work with their heads and are paid an annual **salary**. However, they are both paid on a regular basis (weekly, bi-weekly, monthly), usually with a paycheck. Payday, whether weekly or bi-weekly, is an important day. In one other way, there is a difference: white-collar employees often have a **contract** with their employer. The contract is an agreement that sometimes protects the employee for certain periods of time



Blue-collar workers doing industrial work.

and guarantees a certain salary. Blue-collar workers, on the other hand, may not have a personal contract with their employer, but they belong to a union which has a contract with the employer. When it is time for a new **contract**, the union may ask for a **raise** in pay so that the workers will get more money. Some employers give their employees a **bonus**, a special payment for doing something very well.

Some kinds of professional people, for example doctors and lawyers, receive **fees** for their services. Some experts who work for short periods of time for very specific jobs, such as building a bridge or advising a business or a government, are called **consultants**, and they may receive a one-time payment. Sometimes they are paid a lot of money, and sometimes they are given a small gift called an honorarium.



White-collar workers planning a project.

Then there are a few people who don't need to work, because they already have a great deal of **wealth**. Some of them continue to work to earn more, while others have never worked or are retired. In any case, their wealth works for them. They may have their money invested in banks or in the stock market, or they may have their money invested in the ownership of property; both forms of wealth are called **capital**. And this is the origin of the well-known label, capitalist. A capitalist is anyone whose wealth (capital) is invested to earn them more money.

Key words

income	wages	raise	consultant
royalties	salary	bonus	wealthy
employed	contract	fee	capital

Exercises

A. Underline the correct form of the key word.

1. "You're a (capital, capitalist, capitalistic)," he shouted.
2. The royal family is extremely (wealth, wealthy).
3. The athlete has refused to sign a (contract, contracted, contractual) with his team.
4. Their expenses are greater than their (income, incoming).
5. She collects (royalty, royalties, royal) checks from several different recording companies.
6. Although prices have gone up, (wage, waged, wages) have not.
7. The company gave all its (employer, employees, employment) a (salary, salaried, salaries) increase.
8. All his earnings this year came from (fee, fees, feed).
9. Let's (consulting, consult, consultant) with an expert on this problem.
10. Not all of the employees got (raise, raised, raises) this year.
11. Only a few people got (bonus, bonuses) this year.

B. Use the key words above in the following sentences. Use each word only once.

1. The singer's income from _____ is more than \$500,000 a year. He must be a millionaire by now.
2. The workers want a new _____ with the owners.
3. The lawyer's _____ for his services is \$500.
4. The employees' daily _____ have not increased.
5. She is paid an annual _____; her _____ is over \$30,000 a year.
6. Any business needs _____ in order to operate.
7. As a _____, he earned an honorarium of \$3,000 for his services.
8. I'm not _____; I don't have a lot of money.
9. She has been _____ by that company for ten years.
10. I've got to ask for a _____; I'm not making enough money.
11. On January 1, all the employees got a New Year's _____ because the company did very well during the previous year.

C. Use the correct form of the key word in parentheses.

1. (salary) The cost of living has gone up, but our _____ haven't.
2. (wage) The minimum _____ in this state is \$ 7.25 an hour.
3. (wealth, income) Although he is extremely _____, he didn't pay any _____ tax last year.
4. (consult) We need an expert. Let's get a _____.
5. (employ) After three months of unemployment, he was happy to be _____ again.
6. (royalty) She gets a 20% _____ on all her books.
7. (bonus, raise) Both of them got _____ and _____.
8. (fee) Yes, he's a good doctor, but his _____ are very high.
9. (capital) We have studied socialism and _____.

D. Use a key word in each of these sentences.

1. Her company _____ over 500 people.
2. _____ is the actual property and investments of a business.
3. The managers all got a 10% _____ increase.
4. The hourly _____ rate is \$15.50.
5. His wife still receives the _____ from the book he wrote.
6. As a highly paid _____, he needs to work only a few months each year.
7. The bank will charge a small _____ for this service.
8. The union is asking for a 10% pay _____.
9. The football player signed a _____ with the Giants.
10. Most states have a state _____ tax.
11. Early to bed and early to rise keeps one healthy, _____, and wise.
12. Something extra that we don't expect to receive is a _____.

Talk About It

1. What is a "good" salary in these times?
2. What kind of work is overpaid or underpaid?
3. What are your salary goals?

4. Earning Money

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A

1. capitalist
2. wealthy
3. contract
4. income
5. royalty
6. wages
7. employees, salary
8. fees
9. consult
10. raises
11. bonuses

B

1. royalties
2. contract
3. fee
4. wages
5. salary, income
6. capital
7. consultant
8. wealthy
9. employed
10. raise
11. bonus

C

1. salaries
2. wage
3. wealthy, income
4. consultant
5. employed
6. royalty
7. bonuses, raises
8. fees
9. capitalism

D

1. employs
2. Capital
3. salary
4. wage
5. royalties
6. consultant
7. fee
8. raise
9. contract
10. income
11. wealthy
12. bonus

5. Buying and Selling

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A

1. deal, wholesale, bargain
2. market, promote
3. product, compete
4. retailers, profits
5. distributor
6. offer, bid
7. spend

B

1. retail
2. dealer, wholesale, consumers
3. profit, competitors
4. production, distribution, promotion
5. offer / bid
6. bid / offer
7. marketing
8. bargain

C

1. consumer
2. bidder
3. dealer
4. distributor
5. promoter
6. offerer
7. producer
8. wholesaler
9. retailer
10. competition
11. profit

D

1. offer
2. Market
3. produced
4. competing
5. (under)-bid
6. profits
7. consumer
8. dealer
9. distribution
10. bargaining, bargain
11. promotion, promote, promoted

6. Banks

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A

1. bounce
2. funds
3. financial
4. reserve
5. balance, minimum
6. deposits, withdrawals
7. Commerce
8. trader, draws

B

1. deposit
2. withdraw
3. reserve
4. draw
5. statement, balance, minimum
6. funds
7. trade
8. commercial
9. Financial
10. bounced

C

1. reserves
2. deposited
3. withdrawal
4. balanced
5. minimum
6. statement
7. draw
8. funds
9. traded
10. financial
11. commercial
12. bounced

D

1. minimum
2. bounce
3. deposited
4. Fund
5. withdraw
6. draw
7. financial
8. statement
9. reserves/ reserve
10. commercial
11. trade

Borrowing and Lending

At some time or another someone has said, “I’m **broke**. Can you lend me some money?” On a personal level, a loan may only involve two friends who borrow from and lend to each other to help each other. The person who borrows the money **owes** money to the lender. Occasionally the borrower may sign a very simple agreement called an I. O. U. (I owe you). The borrower **repays** the loan when they can, and usually between friends there is no interest charge.

There are times, however, when people need to borrow a large **sum** of money. For example, buying a car requires a large amount of money, and for that we need an auto loan. The interest rate on these kinds of loans is usually rather high, and they are usually for a **term** of not more than a few years.



Another major purchase is a house, and in the United States, banks loan money to people for this. This kind of loan is spread over many years (twenty to thirty years is typical), and it is called a **mortgage**. The bank holds the **deed**, the legal document that proves ownership,

until the mortgage is paid off. The home serves as **collateral**: If the borrower fails to repay the loan, the bank repossesses the house. A family celebration called “burning the mortgage” takes place when all the money, interest, and **principal** is finally paid off, and the family at last **owns** their own home.

In addition to making loans to individuals, banks also make loans to businesses. From time to time a business needs to borrow money, and thus go into **debt**, to expand the business. If the business seems to be a good **risk**, the bank will extend **credit** to the business, allowing it to borrow up to a certain amount. The bank becomes the creditor, and the business becomes the debtor.

Countries sometimes need to borrow money, and in the world of international finance, commercial banks often make loans to developing countries. The World Bank, an international development bank, provides special support for long-term development projects. In recent years, however, more and more countries have **defaulted** on their loans, and the list of debtor nations gets longer and longer. It is not only the poor who are in debt. In the United States, Americans have consumed large quantities of foreign goods, but they have not sold as many goods to foreigners. The result is that the United States owes a lot of money to other countries.

With so many people in debt, who are the world’s creditors?

Key words

broke	sum	deed	own	credit
owe	term	collateral	debt	default
repay	mortgage	principal	risk	

Exercises

A. Underline the correct form of the key word.

1. Last year I (owe, owed, owing) the bank a lot of money, but I finally (repaid, repay, repayment) it. Now I'm broke again.
2. "Mr. Jones, the (term, termination, terminal) of your (mortgaged, mortgage) will be twenty years. The (principal, principle, principal) is \$80,000 and the interest is 8.5%. Keep up the (pay, payments) and the (deed, deeded, deeds) will be yours and you'll (owe, own, owner) the house."
3. Because they (default, defaulted) on their previous loan, they are not a good (risky, risk). Therefore, we can't extend (credits, credit, credited) to them.
4. She had never been a (debt, debtor) before, but she needed a large (summary, sum, sums) of money, so she took out a loan and used her home for (collateral, collaterals).

B. Use the key words in the following sentences. Use each key word only once.

1. A period of time can be called a _____.
2. To have no money is to be _____.
3. A piece of paper that specifies the owner of a piece of property is a _____.
4. If I borrow money from you, I _____ you money.
5. This house is mine. I _____ it.
6. If I owe money, I am in _____.
7. If I can't pay back my loan, I am in _____.
8. Another word for "pay back" is _____.
9. A strong, solid business is a good _____.
10. If I give you a loan, I extend _____ to you.
11. The original amount of a loan (excluding interest) is the _____.
If it is a long-term loan for property, it is a _____. The house is the _____. In case the buyer cannot repay, the bank will take the house.
12. Another word for "amount" is _____.

C. Use the correct form of the key word in parentheses.

1. (repay) I _____ that loan a year ago.
2. (owe) How much do I _____ you?
3. (deed) My _____ is registered with the registrar of _____.
4. (broke) "I can't go; I'm _____," he said.
5. (debt) Although his income is up, so are his _____.
6. (term) Do you need a long-_____ loan?
7. (mortgage) All of this property is _____.
8. (own, collateral) The _____ of the house is really the bank, because the house is the _____ for the loan.
9. (sum) The monthly payment will be the _____ of the principal plus the interest.
10. (risk) The two partners _____ a lot of their own capital when they started the business.
11. (credit) When their business failed, their _____ took all the property and the inventory.
12. (default) Because its currency has lost 50% of its value, New Naciona has _____ on its loan from World Bank.

D. Use a key word in each of these sentences.

1. No, I won't lend you any more money. You already _____ me \$15, and I'm almost _____ myself. When you've _____ me we can discuss another loan.
2. At last! We've paid off the _____, and the _____ to the house is ours. We _____ our own home.
3. We needed a short-_____ loan, but the bank turned us down.
4. How can I ever repay my _____ to you? You _____ everything you owned to help me.
5. You've asked for a rather large _____ of money, and the maximum amount of _____ we can give you is only \$5,000.
6. They have _____ on both the _____ and the interest.

Talk About It

1. "Neither a borrower nor a lender be." Do you agree?
2. Do you and your friends borrow and lend to each other?
3. What do you know about getting a bank loan?
4. What should you know before you get a loan for a car?

7. Borrowing and Lending

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A

1. owed, repaid
2. term, mortgage, principal, payments, deed, own
3. defaulted, risk, credit
4. debtor, sum, collateral

B

1. term
2. broke
3. deed
4. owe
5. own
6. debt
7. default
8. repay
9. risk
10. credit
11. collateral, principal, mortgage
12. sum

C

1. repaid
2. owe
3. deed, deeds
4. broke
5. debts
6. (long-)term
7. mortgaged
8. owner, collateral
9. sum
10. risked
11. creditors/creditor
12. defaulted

D

1. owe, broke, repaid
2. mortgage, deed, own
3. (short-) term
4. debt, risked
5. sum, credit
6. defaulted, principal

8. Plastic Money

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A

1. stole
2. charge
3. accept
4. sales
5. unlimited
6. cost
7. rented
8. amounted, debit
9. transferred
10. rating

B

1. accept
2. rent
3. transfer
4. cost, down payment, installment
5. stolen, amount
6. charge, rating, limit
7. sales
8. debit card

C

1. rent
2. accepting, debit
3. installments
4. transferred
5. cost
6. stolen
7. charge
8. Sale
9. limit
10. amount
11. payments

D

1. transfer
2. down payment
3. accept
4. amount
5. limit
6. sales
7. stolen
8. charge, debit/credit
9. renting, costs, rating
10. installment

9. Investing

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A

1. dividend
2. gainers
3. broker, trend
4. price
5. expensive
6. cheaper
7. issued, yielded
8. security
9. Real estate
10. shares, safe

B

1. cheap, expensive
2. price, gain
3. securities, safe
4. broker, shares
5. yield
6. dividend
7. issues
8. real estate
9. trend

C

1. expensive, cheapest
2. (highest-) priced
3. security
4. shares
5. safest
6. Brokers
7. gained
8. trend
9. (re-)issue
10. Dividends
11. yield
12. real estate

D

1. safe
2. broker
3. gain
4. expensive, cheap
5. price
6. trend, real estate
7. issued
8. dividend
9. share (holder)
10. Securities
11. yield