



FORWARD PLAN

*Helping you plan for
your financial future*

Jargon Buster

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A

Additional Voluntary Contribution (AVC)

Extra payments you can make in addition to your main occupational pension scheme contributions to boost your retirement benefits. AVC's can be paid into your employer's main pension scheme or a separate arrangement. See also FSAVC.

Annual Equivalent Rate (AER)

This shows what the interest rate would be if the interest on savings were paid and added to savings at the end of each year. Actually, interest is frequently paid more often. The AER is worked out in a standard way so you can compare interest rates directly with each other. The higher the AER the better the return is on your savings.

Annual Percentage Rate (APR)

The true cost of the mortgage over the full term, set out as a yearly rate, including all fees, terms and interest. The calculation assumes that you maintain the mortgage for the full term. APR is a standard calculation in the mortgage industry and allows mortgages from all lenders to be compared

Annuity

A fixed sum of money paid to someone each year, typically for the rest of their life usually associated with pensions at retirement.

Arrangement Fee

It may be that you are charged an arrangement fee by the lender when taking out a mortgage - however our advisers will be able to talk you through the conditions that apply.

Arrears

If you go into arrears it means that you have 'defaulted' at least once on your mortgage repayments. If you find yourself in this situation you should contact your mortgage lender to seek help as soon as possible

Asset classes

Different types of investments with varying degrees of risk, e.g., cash, shares, gilts and bonds.

Automatic Enrolment

A Government initiative to help more people save for later life through a pension scheme at work. In the past, many workers missed out on valuable pension benefits, because their employer didn't offer them a pension, or they didn't apply to join their company's pension scheme.

B

Bank of England

The UK's central bank. Implements economic policy decided by the Treasury and determines interest rates.

Bank of England Base Rate

The rate set by the Bank of England, which is reflected in the interest rates charged by lenders.

Bankrupt

An individual is bankrupt (or insolvent) if he or she is unable to pay their debts when they fall due.

Beneficiaries

The beneficial owners of trust property or those who inherit under a will.

Bid Price

The bid price is the price at which you can sell a share or investment. It is lower than the offer (buy) price.

Bonds

when you buy bonds, you're effectively lending money to a government or corporation to fund spending or raise capital.

C

Capacity for loss

This is the term given to the amount you could afford to lose on your investments or capital without impacting on your lifestyle.

Capital Gains Tax (CGT)

Tax payable on any gains over the CGT allowance from the sale or disposal of stocks or other assets subject to this tax. CGT is payable at varying rates depending on the taxpayer's level of income and the type of asset sold. Residential property that is rented out attracts a higher rate.

Collective Investment

An investment structure that pools together investments from different investors and combines them to fund investments. Each individual investor then owns an interest in a small amount of each asset.

Consumer Price Index (CPI)

A measure of the average change over time in the prices paid by consumers for a basket of consumer goods and services.

Critical Illness Cover (CIC)

An insurance product, where the insurer is contracted to typically make a lump sum cash payment if the policyholder is diagnosed with one of the critical illnesses listed in the insurance policy.

D

Data Protection Act

Legislation regulating the use of client data. The Act controls how personal information is used by organisations.

Decreasing Term Assurance (DTA)

A form of life assurance where the sum assured under the policy reduces over the term of the policy

Derivatives

Forwards, swaps, options and futures. Their price is derived from an underlying asset.

Direct Debit

An instruction to your bank to release money automatically from your account to pay a regular bill. This is useful for frequent bills which are for different amounts each time, for example, telephone bills. You arrange this with your supplier and give them your bank details.

Death in Service benefit (DIS)

The pension and lump sum paid to the deceased member's spouse and/or other dependants where death occurs while still working for their employer usually payable until their normal retirement date.

Diversification

A risk-management technique that mixes a wide variety of assets within a portfolio.

Dividend

Payment made out of a company's post-tax profits and distributed to its shareholders at the discretion of the company's board of directors. This is usually expressed as pence (per share).

Dividend Yield

Most recent dividend expressed as a percentage of current share price.

Drawdown

See Flexi-Access Drawdown.

Dow Jones Index

Major share index in the USA, based on the prices of 30 major company shares

E

Emerging Market Fund

A fund that mainly invests in countries with developing economies, e.g. China, Eastern European or South American countries.

Equity

Another name for shares. It can also be used to refer to the amount by which the value of a house exceeds any mortgage or borrowings secured on it

Exchange Traded Funds (ETF)

Funds that track an index such as the FTSE 100, or market performance through a single share.

F

Financial Conduct Authority (FCA)

One of the bodies that replaced the FSA in 2013 and which is responsible for regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets.

Fixed-Interest Security

A tradeable negotiable instrument, issued by a borrower for a fixed term, during which a regular and Pre-determined fixed rate of interest, based upon a nominal value, is paid to the holder until it is redeemed and the principal is repaid.

Flexi-Access Drawdown

A way of accessing your pension savings flexibly. It allows you to draw out as much as you like. You can even take the whole lot as a lump sum, if you wish. The first 25% of the pension fund is usually tax-free, and the rest is taxed as income, at your highest marginal rate

Free Standing Additional Voluntary Contribution (FSAVC)

Extra payments you can make into an individual plan, which runs alongside your company pension scheme to top up your pension fund. The plan is independent of the employer's main pension scheme.

FTSE 100

Main UK share index of 100 leading shares. Commonly referred to as the 'Footsie'

FTSE 250

UK share index based on the 250 shares immediately below the top 100.

FTSE 350

Index combining the FTSE 100 and FTSE 250 indices.

FTSE All Share Index

Index comprising around 98% of UK-listed shares by value.

Funds

A generic term used to describe an investment vehicle where a professional investment manager takes the money paid in by multiple individuals and invests it in a wide range of underlying assets – shares, bonds etc - in accordance with the stated objectives of the fund. In the UK these normally mean unit trusts and open-ended investment companies (OEICs).

Fund Manager

Firm or individual that invests money on behalf of clients.

Fund Supermarket (sometimes referred to as a Platform)

An internet-based service that provides a convenient way of investing in collective investment funds by allowing a variety of funds to be purchased from a number of different management groups in one place.

G

Gilts

Securities issued by the government to borrow money.

Group Personal Pension (GPP)

Arrangements run by employers to enable their employees to participate in a personal pension scheme on a group basis.

Gross

Total amount before deductions (e.g. taxes)

H

Hedge Fund

A high-risk investment vehicle which uses advanced and aggressive investment financial techniques in order to make maximum gains

High-yield bond fund

A fund that invests in corporate bonds issued by more risky companies and in return offers a higher rate of interest.

Her Majesty's Revenue & Customs (HMRC)

The UK government department responsible for the country's taxes, finance and economy



Income Protection

Insurance that pays a level of income in the event of long-term sickness or disability.

Income Tax

Tax on savings and income. The amount you pay is calculated using different tax rates and tax bands, which changes periodically.

Independent Financial Adviser (IFA)

Is able to offer advice on the full range of investment products and from the full range of providers in the market. Make a fair and comprehensive analysis of the relevant products available and recommend a suitable one for you in the light of your circumstances and needs. Be free from any influence that could stop them recommending the best product for you.

Individual Savings Account (ISA)

See New Individual Savings Account (NISA).

Index

Statistical tools that measure the state of the stock market or the economy based on the performance of shares or other investments, e.g., the FTSE 100 and the Dow Jones Industrial Average.

Inflation

An increase in the general price level of goods and services in an economy over a period of time. When there is inflation, the value of your money will decrease as things generally cost more.

Inheritance Tax (IHT)

Tax on the value of an estate when a person dies. Payable on all assets over and above £325,000 at a rate of 40%. Some exemptions do apply.

See Residence Nil Rate Band.

Interest

The return earned for lending money to others. The money you can earn by depositing money in a savings account. You can also earn interest on some types of investments where you are lending money to a company or government, e.g. gilts and bonds.

Investment Trusts

A collective-investment company listed on the London Stock Exchange that invests in the shares of other companies. These have a limited number of shares and the price varies with supply and demand.

J

Junior ISA

A tax-free savings account available for children. The main difference between a Junior ISA and an adult ISA is that the money cannot be accessed until the child reaches 18.

K



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L

Leverage

A measure of the extent to which a company finances itself from debt, relative to equity.

Level Term Assurance (LTA)

A form of life assurance where the sum assured under the policy remains constant over the policy term

Liability

An obligation that legally binds an individual or company to settle a debt or a payment

Life Assured

The person on whose life or death the payment of the sum assured depends. The life assured is not always the same person as the policy holder

Limited Company

A privately owned company with limited liability amongst its owners.

Liquidity

The ease with which an item can be traded on the market. Liquid markets are described as 'deep'.

Loan

A form of debt where a borrower receives a certain amount of money from a lender. The borrower agrees to pay a contracted rate of interest to the lender and also agrees a date on which the loan will be repaid.

M

Maturity

Date when the capital on a bond is repaid

Mortgage

A loan to buy a property. The property acts as security for the loan and so can be repossessed and sold if the mortgage repayments are not made

N

National Savings & Investments (NS&I)

Government agency that provides investment products for the retail market.

New Individual Savings Account (NISA)

A tax-efficient environment in which a variety of investments can be held. ISAs are either for holding cash or stocks and shares.

O

Open Ended Investment Company (OEIC)

A collective investment fund similar to a unit trust. The major differences are that OEICs are established as companies rather than as trusts. Most new funds launched today are established under the OEIC structure.

Offer Price

The offer price is the price at which you can buy a share or investment. It is higher than the net asset value. It's the price you are being offered.

Open Market Option (OMO)

Your right at retirement to buy an annuity from a provider other than the one who has administered your pension fund.

P

Passive Management

An investment approach that aims to track the performance of a stock market index. Employed in those securities markets that are believed to be price efficient.

Pay As You Earn (PAYE)

Income Tax and National Insurance Contributions are collected from an individual's salary before it is paid to the individual by their employer and passed to HM Revenue & Customs.

Platform

A service, often available online, that gives you access to a wide range of investments and lets you pick and mix those you want to hold. It will also provide custody and administration services.

Portfolio

A selection of different investments held.

Preference Share

Shares which pay fixed dividends. Do not have voting rights, but do have priority over ordinary shares in default situations.

Premium

The regular payment made to an insurance company for insurance against a range of risks.

Premium Bond

National Savings & Investments bonds that pay prizes each month. Winnings are tax-free.

Private Medical Insurance (PMI)

Insurance which will pay for the cost of medical treatment in accordance with the relevant policy terms and conditions.

Provider

The company providing the cover i.e. life assurance or buildings and contents.

Q

Quantitative Easing (QE)

Increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

R

Residence Nil Rate Band

The Residence Nil Rate Band (RNRB) was introduced in April 2017. It adds an additional amount to your nil rate band if the property is left to a direct descendent. For 2019/2020 the RNRB is £150,000 increasing to £175,000 per person on 6th April 2020/2021. This is generally for part of the value of the family home to be passed to a direct descendent e.g. child or grandchild.

Restricted Financial Adviser

A restricted financial adviser is one who can only recommend certain types of investment product, and/or can only recommend products from a limited number of providers. In practice, this means they may specialise in a particular type of product (for example, pensions or ethical investments), or cover a wider range of product types but only recommend products from a limited number of providers or offer a limited number of product types from a limited number of providers.

Retail Prices Index (RPI)

Index that measures the movement of prices.

Return

A measure of the financial reward on an investment, such as dividends and capital growth on a share. Return is always linked to risk: to have the possibility of a bigger reward, a bigger risk will need to be taken.

S

Security

A bank has taken security for its loan when it holds something of value. The most obvious example is where a bank takes security in the form of property ownership on a mortgage.

Self-Invested Personal Pension (SIPP)

A type of personal pension.

Settlor

The creator of a trust.

Shares

Companies divide their capital into units called shares. Owning shares brings rights – a stake in the business – but also the risk of losing the investment. Although OEICs are funds, they issue shares which represent a share in the net asset value of their fund, and will issue new shares as new investors invest money.

Small Self-Administered Scheme (SSAS)

An occupational scheme where the members are trustees and are directly responsible for administering the fund and paying out the benefits.

Stamp Duty

Tax at 0.5% on the purchase of certain assets including certificated securities

Stamp Duty Land Tax (SDLT)

Tax payable if you buy a property in the UK over a certain price. This is charged on all purchases of houses, flats and other land and buildings.

Standing Order

A method of paying regular amounts from your bank account automatically. You instruct your bank to pay the money for you to a particular person or company. It is your responsibility to change the payment if it needs to be altered.

Stakeholder Pension (SHP)

Low cost pension scheme introduced by the Government in 2001 to encourage people to make provision for their financial future.

State Pension

A pension paid to you by the Government when you reach retirement age. The amount you get will depend on your national insurance record (or on that of your marriage partner).

Stock Exchange

A market in which securities are bought and sold, e.g., stocks, shares and gilts and bonds.

Securities

The general name given to shares, bonds and similar investments that are often traded on the stock market.

T

Tracker Fund

A fund that tries to mirror the performance of a chosen share index and is therefore a passive investment strategy

Trust

If a policy or asset is written in trust, then you can help determine who should benefit from the policy or asset when it is eventually paid.

Trustees

The legal owners of trust property who owe a duty of skill and care to the trust's beneficiaries

U

Unit Trusts

Open-ended Investment Funds are established as trusts where your money is invested with thousands of others so that you can invest in a greater variety of shares and other securities. Each investor owns a unit (or a number of them), which represents a fraction of the fund and the value of which is dependent on the value of the assets in the fund.

Unsecured

A loan provided to a borrower where the lender takes no security

V

Volatility

Different types of investments fluctuate in value over time. This is referred to as volatility and is often used by the investment industry to assess the potential risk associated with an investment.

W

Wraps

A type of fund platform that enables advisers to take a holistic view of the various assets that a client has in a variety of accounts

X



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Y

Yield

Income from an investment as a percentage of the current price

Z



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