

A	
After-tax proceeds	Money received from a sale after deducting commissions, fees and taxes.
Actively managed mutual fund	A type of mutual fund in which the fund manager actively attempts to outperform the market by making decisions to buy or sell individual securities to manage the overall fund portfolio. For comparison, see Index Fund .
Aggressive growth funds	Stock mutual funds that seek high growth through aggressive investment strategies. These funds generally buy stocks of emerging companies that offer the potential for rapid growth.
All or none	Directs the broker to attempt to fill the entire amount of the order or none of it during the time limit you specify. This differs from "Fill or Kill" orders because "All or None" orders do not require immediate execution. Only applicable to Limit Orders .
Alternative Minimum Tax (AMT)	For income tax purposes, this is a tax created to ensure that high-income individuals, corporations, trusts and estates pay at least some minimum income tax regardless of deductions, credits or exemptions. (See your tax advisor for more information.)
American Depositary Receipt (ADR)	Receipt for shares of foreign-based companies that entitle the shareholder to all dividends and capital gains. ADRs allow Americans to buy shares of foreign-based corporations' securities at American Exchanges instead of having to go to overseas exchanges.
Annuity	An investment in which the policy holder makes a lump-sum or installment payment to an insurance company and receives income at retirement.
Arbitrage	Profiting from the differences in price when the same security, currency or commodity is traded on two or more markets.
Ask	The lowest price at which someone is willing to sell a security.
Asset allocation	The strategy of spreading your investment funds across categories of assets such as Stocks , Bonds and Cash Equivalents to help offset risks and rewards, based on your goals, time horizon and risk tolerance.
Asset allocation fund	A mutual fund that typically includes a mix of stocks, bonds and cash equivalents to meet its objective. This type of fund allows you to diversify among classes with one investment. Over time, fund managers reallocate the fund's assets based on changing market conditions with the objective to keep the asset allocation percentages steady despite the market's fluctuations.
Asset class	A broad categorization of an investment. The main asset classes are Stocks, Bonds and Cash Equivalents.
Assets	Any item of monetary value owned by an individual or corporation. Companies have two basic types of assets: tangible and intangible. Tangible assets include equipment, inventory, and real property. Intangible assets include goodwill (the value of the company's name in the market), patents and other intellectual property that are owned by a company and given financial value in the company's balance sheet.
Average maturity	The lifetime of a bond, concluding when the final payment of that obligation is due.
B	
Back-end load	A fee charged by a mutual fund when you sell your shares.
Balanced asset allocation funds	Balanced funds (also known as domestic hybrid funds) invest in a mix of stocks, bonds and cash within one fund.
Balanced funds	The objective of these funds is to preserve initial principal, provide current income and provide long-term growth of principal and income. These funds buy a mix of bonds, preferred stocks and common stocks.
Benchmark	A standard used for comparison. For example, the performance of some index mutual funds is compared to the performance of the S&P 500® Index which serves as a

	benchmark.
Beneficiary	A person or organization designated to receive the funds or other property from an annuity, insurance policy, retirement account, trust, will or other contract.
Beta	A statistical measure of a security's or portfolio's volatility (price fluctuations) relative to the market as a whole. (The beta of the overall market is defined as 1, and is represented by the S & P 500® Index over the last 36 months). A security with a beta of 1 indicates its price moves exactly with the overall market. A beta greater than 1 is more volatile than the overall market, while a beta less than 1 indicates that the security's price is more stable than the market (in general and over a long time period).
Bid	The highest price at which someone is willing to buy a security.
Blue chip	Describes stocks of companies known for high quality management or products who have a long history of stable earnings and/or dividend growth.
Bond	A long-term debt security of the Government or a corporation with maturity of 10 years or more from the issue date. Interest is usually paid every six months and its face value returned, repaid at maturity. The minimum denomination is \$1,000, with \$1,000 increments thereafter.
Brokerage account	An account with a brokerage firm that holds your investments, which allows you to buy and sell securities.
Bulletin board stocks	These stocks are part of the non-Nasdaq over-the-counter market, which are not listed on an exchange.
Buy	Indicates you want to purchase a security.
Buy to Close	You "close" a short option position when you buy it back. You must be pre-approved by Schwab to trade options. See Option .
Buy to Open	You "open" a long position when you buy an option. You must be pre-approved by Schwab to trade options. See Option .
Buying Power	This is the maximum dollar value of marginable securities that you can buy in your margin account without depositing additional equity. Buying power is calculated at the close of business each day and may fluctuate throughout the day.
Return to top C	
Call option	Gives its buyer the right to buy 100 shares of the underlying security at a fixed price before a specified expiration date. Call buyers hope the price of the stock will rise. Call sellers hope the price will stay the same or go down. You must be pre-approved by Schwab to trade options. See Put Option .
Capital appreciation	The growth of the principal of your investments.
Capital gains	The difference in value between what you originally paid for an investment and the price at which it was sold, assuming the investment gained value.
Cash account	A type of brokerage account that requires you pay for trades in full by the settlement date. Some customers have both Cash and Margin Accounts. By law, Individual Retirement Accounts and Custodial Accounts for minors must be cash accounts.
Capital loss	The result when an investment is sold for less than its original purchase price. For comparison see Capital Gains .
Cash available	The dollar amount available in your account to buy non-marginable securities without depositing additional equity. It includes the dollar amount of cash in your account plus the loan value of your marginable securities.
Cash equivalents	Safe and highly Liquid Assets, these types of investments can easily be converted to cash. Cash equivalents include: Treasury bills (T-bills), Money market funds, and Short-term

	Certificates of Deposit (CD).
Cash-up-front	A requirement for funds on deposit or on receipt in a Schwab office at the time you enter your order. Cash-up-front is required to trade certain types of securities and is also required for all orders placed in accounts that have a cash-up-front restriction imposed on them.
Category average	In mutual fund investing, the average return, expense ratio or other criteria for all the funds within a specific fund category.
Certificate of Deposit	A type of debt instrument offered by banks or savings and loans. (Also, CDs can be brokered by a Broker Dealer). Generally, a CD is issued for a specific dollar amount, for a specific period of time at a preset, fixed interest rate. CDs are FDIC-insured up to \$100,000.
Closed order	Indicates that a trade order is no longer an active order because it has either been executed or cancelled.
Closed-end Mutual Funds	A mutual fund that issues a set number of shares, which then are only re-sold on the secondary market exchanges like regular stock shares.
Commissions	The fees paid for executing a trade.
Common stock	An "equity" security. Common stock is "ownership" of a corporation. An owner of a company's common stock is considered to have an equity position in the corporate structure of that company.
Compounding	The computation of interest paid, using the principal plus the previously earned interest. Compounding measures the growth of an investment when dividends or appreciation are reinvested.
Conditions	Time and execution instructions included when you place a stock trade order. Time conditions indicate how long the order can be open; execution conditions identify how you want the order to be filled.
Contingent beneficiary	A person or organization designated to receive the funds or other property from a trust, insurance policy or retirement account if the primary beneficiary dies or no longer exists.
Corporate bond	Debt obligations issued by corporations as an alternative to offering equity ownership by issuing stock. Like most municipal bonds and Treasuries, most corporate bonds pay semi-annual interest and promise to return their principal when they mature. Maturities range from 1 to 30 years.
Corporate governance standards	These are the Securities and Exchange Commission rules that a corporation must follow after meeting initial Nasdaq listing requirements, such as holding an annual shareholders meeting, and distributing annual and interim reports to shareholders.
Cost basis	Cost basis is used to determine capital gains and losses. Generally, cost basis is the original price of a security, including commissions and applicable fees. There are special rules for determining basis in some situations (i.e., property received by gift or bequest, as compensation or in a tax-free exchange). (See your tax advisor for more information.)
Current yield	The annual interest on a bond divided by the current market price.
Custodial account	An account for the benefit of a minor with an adult as the custodian.
D	
Day Order	Automatically expires at the end of the day's standard market trading session if it is not filled. All Market Orders are automatically Day orders. Orders are generally considered to be day orders unless otherwise specified.
Defined benefit plan	A company retirement plan in which you expect to receive a fixed amount on a regular basis from your employer, i.e. a pension. The employer is responsible for investing.

Defined contribution plan	A company retirement plan in some cases, such as a 401(k) or 403(b), in which the employee elects to defer salary into the plan and directs the investments of that deferral.
Derivative instrument	A financial instrument or security whose value is based in part upon another security . For example, a stock option is a derivative instrument because its value is based in part upon the value of the underlying stock.
Developed market	A sector within international stocks made up of countries where the government and economy are more soundly established.
Dilution	Effect on earnings per share and book value per share if all convertible securities were converted and all warrants and stock options were exercised.
Distributions	The income or capital gain made by a mutual fund that is paid to the fund's investors.
Diversification	A portfolio strategy designed to spread risk by allocating assets among a variety of investments (such as Stocks, Bonds and Cash Equivalents).
Dividend	A distribution of company Earnings to shareholders. Dividends are typically paid to you in cash or stock. You may choose automatic Dividend Reinvestment to buy more shares.
Dividend amount	Value of last quarterly cash dividend or the number of shares an investor receives for each share owned in a stock dividend.
Dividend reinvestment	An investment plan in which you can elect to automatically reinvest cash dividends and capital gains distributions, thereby accumulating more shares.
Dividend yield	A stock's market value in relationship to its dividend amount expressed as a percentage. Calculation tip: Divide the dividend by the market value of the stock.
Do Not Reduce (DNR)	Instructs the broker not to reduce your limit price by the amount of the cash dividend when a stock goes ex-dividend and the market price is reduced by the amount of the dividend. You can specify DNR on Limit Orders to Buy, Stop Orders to Sell, or on Stop Limit Orders to Sell.
Dollar cost averaging	A strategy of buying securities (typically mutual funds) in fixed dollar amounts at scheduled intervals, with the aim being to lower the average cost per share over time. Dollar cost averaging does not assure a profit and does not protect against loss in declining markets.
Dow Jones Industrial Average (DJIA)	Measure of the performance of the collection of 30 "blue-chip" stocks traded on the New York Stock Exchange (NYSE), considered the leaders of the market.
E	
Earnings	The amount of profit a company realizes over a given time period after all costs, expenses, and taxes have been paid.
Earnings Per Share (EPS)	A company's earnings, also known as net income or net profit, divided by the number of shares outstanding. Calculation tip: Four times the last quarter's earnings divided by the number of shares outstanding.
Earnings Per Share date	Date of the last earnings announcement.
Education savings account	A tax-deferred investment account that may contain funds to be used for education-related expenses. Formerly known as an Education IRA.
Electronic funds transfer	Transferring funds between accounts and firms electronically.
Emerging market	A sector within international stocks made up of developing countries, such as Kenya and China, where economic and political conditions may be more volatile.
Employee Stock Ownership Plan (ESOP)	A trust set up by a corporation to allot some of its stock to its employees over time. Used as an employee incentive, the plan often provides tax benefits to the company. Also known as a stock purchase plan.

Exchange	A marketplace, or any organization or group that provides or maintains a marketplace for trading securities, options, futures, or commodities. Examples of exchanges: New York Stock Exchange (NYSE) or the American Stock Exchange (AMEX).
Ex-dividend date	Date a split or dividend is reflected in the price of the security (if you buy a stock on the ex-dividend date, you are not entitled to the dividend); for splits, this is the trading day after the distribution is made.
Expense ratio	A mutual fund's cost of doing business passed on to shareholders -- expressed as a percentage of assets.
F	
Face value	The displayed value on a bond also called principal or par value.
Fed call	Also known as Regulation T or Reg T Call. This type of call occurs when establishing a margin position. Investors must deposit 50% of the cost of the trade per current Federal Reserve requirements. Schwab reserves the right to impose higher or Special Maintenance requirements.
Federal Deposit Insurance Corporation (FDIC)	A U.S. Government agency that insures cash deposits, including certificates of deposit, that have been placed in member institutions. The basic insured amount for each depositor is capped at \$100,000. The FDIC's mission is to maintain the stability of and public confidence in the U.S. banking system.
Fiduciary	One is legally required to act in the best interest and trust of a beneficiary or minor.
Fill or Kill (FOK)	Instructions that your order must immediately be filled in its entirety or canceled. Only applicable to Limit Orders.
Fixed income investments	These debt securities (or IOUs for borrowed money) include bonds, money market instruments or preferred stock. They obligate the borrower to pay the bond owner a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures, and a preferred shareholder would get a fixed dividend. A variety of institutions issue debt obligations, including the U.S. government, state and local governments, publicly held companies, banks and savings and loans.
Fixed income securities	Debt securities or IOUs for borrowed money. They obligate the borrower to pay the owner interest during the term of the loan and to return the principal or face value, when the loan matures. A variety of institutions issue debt obligations including the U.S. government, state and local governments, publicly held companies, banks, and savings and loans.
Freeriding	This trading violation is the result of buying a security in your Cash Account and then selling the same security without making separate payment on the full purchase price by Settlement Date. This situation is called freeriding because basically it is unauthorized borrowing to pay for a trade.
G	
GNMA (Ginnie Mae)	A bond issued by the Government National Mortgage Association.
Good 'Til Canceled (GTC)	At Schwab, GTC orders remain open for 60 calendar days unless filled or you request that it be canceled before that time.
Government bond	A bond issued by the U.S. Treasury or other agency.
Growth strategy	An investment strategy that pursues capital appreciation over the long term by investing in growth stocks.
GUST-approved QRP	A small business qualified retirement plan, which is in compliance with the most recent tax law changes (collectively referred to as GUST*).

* GUST tax law changes incorporate the General Agreement on Tariffs and Trade (GATT), Uniformed Services Employment and Reemployment Rights (USERRA), Small Business Job Protection Act of 1996 (SBA-96) and the Taxpayer Relief Act of 1997 (TRA-97).

H

Halted securities	Occasionally, trading on a given security may be suspended due to a variety of conditions including news and corporate actions. If the security you are attempting to trade has been halted, you can place an order but it will not be executed until the trading halt is lifted. If you have an open order for a security that subsequently is halted, your order will be eligible for execution after the halt has been lifted. Please be aware that when the security resumes trading it may be at a price significantly above or below the most recent trade price.
High	The highest execution price of a trade that day, or on the last trading day.

I

Immediate or Cancel	Instructions to immediately fill your order either partially or entirely -- or cancel the order. Only applicable to Limit Orders on listed stocks.
Income strategy	<p>An investment strategy that pursues income, typically by investing in bonds and high-yielding stocks.</p> <p>For mutual funds, income is earned on a fund's investment portfolio after deducting operating expenses. Dividends and/or short-term capital gains are paid to a mutual fund's shareholders.</p>
Index	A statistical composite that measures changes in the economy or financial markets. Some indexes are used as benchmarks that economic or financial performance is measured against. Some well-known market indexes include: Standard & Poor's 500® Index, Dow Jones Industrial Average®, Nasdaq Composite® Index, Consumer Price Index, and Russell 2000. Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses.
Index fund	Mutual funds that seek to match the returns of a market index (e.g., Standard & Poor's 500® Index or Schwab 1000 Index®). The funds usually invest in the securities that make up the corresponding index. When you invest in index funds, you are essentially seeking to "buy the market" and not trying to outperform it. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly.
Index Mutual Funds	Mutual funds that seek to replicate the performance of established securities indices. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly.
Indexing	Investing for market returns by purchasing shares in an index fund.
Individual Retirement Account (IRA)	A tax-deferred retirement account for individuals, which allows them to earn potential income on their investments and defer the taxes until withdrawals begin. Those who meet certain participation and income qualifications can make deductible contributions to an IRA. (Such contributions qualify as a deduction against earned income.) All others can contribute on a non-deductible basis. For comparison, see Roth IRA, SEP-IRA, SIMPLE IRA.
Industrials	In stock market language, this is a general category of firms in the business of manufacturing products. Industrials exclude utility, transportation and financial services companies.
Inflation	An increase in the cost of goods and services which, in turn, decreases the buying power of money over time. Inflation is usually measured by the Consumer Price Index and

	Product Price Index.
Initial Public Offering (IPO)	The first time a company makes its shares available for sale to the public.
International fund	These funds seek growth by investing primarily in equity securities of issuers located in developed markets outside the United States. Includes Western Europe, Japan, Australia, New Zealand and Canada. International funds are not only subject to the usual market volatility, they may also be affected by other risks, including foreign taxes, differences in financial standards, currency fluctuations and political and economic instability.
International Stock	The stock of a company that is based outside the United States.
Investment objective	The outcome desired by an investor or a mutual fund. For example, "current income" or "capital appreciation" are types of investment objectives.
Irrevocable living trust	An irreversible legal plan to transfer funds from the donor to the beneficiary, generally offering tax advantages.

K

Keogh	Tax-deferred, qualified retirement account for self-employed persons and employees of unincorporated businesses. Contributions and earnings are deductible from gross income and grow tax-deferred until withdrawn (certain restrictions apply). Qualified plans meet the requirements of the Internal Revenue Code, making them eligible for favorable tax treatment. Note: Schwab replaced its Keogh offering in 1997 with the Qualified Retirement Plan (QRP).
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L

Large cap	Generally, companies with a market value (capitalization) of over \$10 billion. Large cap companies are typically well-established with solid histories of growth and dividend payments.
Large-cap U.S. stock funds	Domestic Large-Cap Stock Funds invest mainly in equity securities issued by companies with median market capitalization that fall in the top 5% of the largest 5,000 U.S. firms.
Last split date	The last date on which the shares of a security were increased or decreased by splitting.
Last trade	The price at which the last trade was executed; after market close, this is the closing price.
Last trade date and time	The date and time the security was last traded.
Lehman Brother (LB) bond indexes	Bond indexes are performance benchmarks for different sectors of the bond market. Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses.

Leverage	The degree to which a company or individual is using borrowed money.
Liabilities	The sum of all outstanding debts -- what a company or individual owes its creditors.
Limit order	<p>A request to buy or sell a security only at a price that you specify (the Limit) or better. Place a limit order when you're willing to wait for the price to move and risk that the order might not be executed, because execution of limit orders is not guaranteed. However, if executed, the price you set or better is guaranteed. Buy orders will execute at or below your limit and Sell orders will execute at or above your limit. For comparison, see Market Order.</p> <p>You may also place time conditions on a limit order. See Time Limits/Conditions.</p> <p>In a Fast Market you can use a limit order in the opposite way to help reduce risk. In this case you can place a limit order to make sure that you don't buy or sell at a dramatically different price than you expect. When a stock price is moving fast, you can use a limit order to state the maximum price you are willing to pay (or, if selling, the minimum price you are willing to accept). In this case, place your limit at or above the current ask price on a Buy, or at or below the bid price on a Sell order. However, if the stock doesn't hit your limit price, the order won't be executed.</p>
Liquid assets	A term describing investments that can easily be turned into cash. See Cash Equivalents.
Liquid investment	An investment that can be easily converted to cash.
Liquid reserve	Personal savings that can be accessed immediately.
Liquidation	When you buy a security that creates a cash debit or Reg T Call, and during the following trading day or later you sell another security to cover the cash debit or Fed Call - it results in a trade violation called a Liquidation.
Liquidity	The ability of an asset to quickly be converted into cash. Generally, the greater the number of buyers and sellers of a particular asset, the more liquid it is considered to be.
Load	The sales charge that some fund companies include when you buy or sell their mutual funds. Some funds have a "front-end" load, meaning you pay the sales charge at the time of purchase. Some funds have a "back-end" load, meaning the sales charge is paid at the time of the sale.
Log-in ID	The Log-In ID is your unique customer identification number—generally your social security number or taxpayer ID number—used to log-in to the Customer Center. To use your social security number as your Log-In ID, you must complete a one-time setup of your account list. Enable your Log-In ID by logging-in to the Customer Center with an individual account (in your name only), clicking in the Switch Account pull-down menu (upper-right corner of screen) and selecting "Account List Set Up". Using a Log-In ID, rather than an account number, allows you one-click access between your accounts and the benefits of a variety of new features.
Long-term capital gains	Gains from the sale or exchange of a capital asset held more than one year (at least one year and one day from the purchase date). Long-term capital gains are taxed at more favorable rates than short-term gains.
Long-term debt	Liabilities that are repayable for one year or longer.
Lot	A group of shares in a single security that were bought or sold together.
Low	The lowest execution price of a trade that day, or on the last trading day.

M	
Maintenance call	<p>A "call" for additional funds or acceptable collateral to be immediately deposited into your margin account. This type of margin call is generated when the equity in a margin account does not meet Schwab's established minimum requirement. This can be caused by fluctuations in market prices or your additional use of margin. For comparison see Reg T.</p> <p>All margin accounts are governed by the rules and regulations of the Federal Reserve, NYSE, and/or NASD. At Schwab, a margin account generally receives a maintenance call when equity falls below 30% or \$5,000.</p>
Margin	<p>"Buying on margin" means buying securities with money borrowed from a broker/dealer. It allows you to buy certain securities using the assets in your account as collateral for the loan.</p> <p>Margin can also mean the amount of equity required to buy securities purchased on credit.</p>
Margin account	<p>This type of brokerage account allows you to borrow funds, using your own marginable securities as collateral. The borrowed funds may be used for any purpose, including the purchase of more securities. For comparison see Cash Account.</p>
Margin balance	<p>The net open balance in your margin account. If negative, you owe Schwab this amount. If positive, the balance is available to earn interest.</p>
Margin call	<p>This generic term refers to both maintenance calls and "Regulation T" calls (also called Reg T or Fed calls). An investor who receives a margin call is required to deposit additional funds or securities in a margin account either because the equity in the account does not meet Schwab's established minimum equity requirement (maintenance call) or because additional securities have been purchased or sold short.</p>
Margin interest	<p>Margin interest accrues daily and is charged monthly based on your margin balance.</p>
Marginable	<p>A security that may be used as collateral in a margin account. Most exchange and Nasdaq listed securities trading at over \$3.00 per share are marginable at Schwab, as are most investment grade fixed income securities, and mutual funds. However, exchange and listed stocks must be \$5.00 or greater for initial purchases on margin. (SchwabFunds require a 30-day waiting period before they can be margined.)</p>
Market capitalization	<p>The total value of a company's stock.</p>
Market conditions	<p>The stability or volatility of a securities market at a given time.</p>
Market indicators	<p>A variety of indices that give an indication of the overall direction and strength of the market.</p>
Market maker	<p>An individual, corporation, partnership or group of firms that creates the Bid and Ask prices for a given OTC security. The market maker generally maintains inventory and stands ready to buy and sell the security at the quoted price to maintain an orderly market. A Specialist serves a similar purpose for an exchange-traded security.</p>
Market order	<p>A customer request to buy or sell as quickly as possible at the best price available (the prevailing price) when the order reaches the marketplace. A market order guarantees execution, but not price. For comparison, see Limit Order.</p>

Maturity date	Date on which the face value and final interest payment of a fixed income security (for example, bond or note) is due and payable by the debt issuer. For bonds, maturity can range from one day to 30 years or more.
Mid- and small-cap U.S. stock funds	Domestic mid-cap funds invest in companies with market values of \$2 billion to \$10 billion (about 15% of the top 5,000). Small-cap funds invest in companies with market values of under \$2 billion (80% of the top 5,000 publicly held companies -- as well as companies not ranked in the top 5,000). Small cap funds are subject to greater volatility than those in other asset categories.
Minimum quantity	Instructs the specialist to buy or sell a specified number of shares at a limit price with the condition that the first fill must be for a minimum number of shares. Use this condition when you will accept a partial fill, but will only accept a minimum number of shares to be bought or sold.
Money market account	A vehicle in which accumulated funds are invested in various short-term securities.
Money market fund	A highly liquid mutual fund that invests in short-term securities and seeks to maintain a stable net asset value of \$1 per share.
Money purchase pension plan	A qualified retirement plan in which the employer contributes an amount to each employee's plan account in proportion to his or her wages. A Money Purchase Pension Plan represents a fixed commitment on the part of the employer to fund the plan according to the funding percentage set forth in the plan documents.
Mortgage-backed bonds	Bonds that derive their income from a pool of mortgages.
MSCI-EAFE Index	The acronym for the Morgan Stanley Capital International -- Europe, Australia, Far East Index. It is a performance benchmark for international stocks.
Municipal bonds	A bond issued by a state, municipality, or revenue district. Municipal bonds (also called "munis") are exempt from federal and, in some cases, state and city taxes. Some investors in bonds or bond funds may be subject to the Alternative Minimum Tax.
Mutual Fund	An investment company that pools money from shareholders and invests in a variety of securities, including stocks, bonds and money market instruments. A mutual fund stands ready to buy back (redeem) its shares at their current net asset value, which depends on the total market value of the fund's investment portfolio at the time of redemption. As open-end investments, most mutual funds continuously offer new shares to investors.
Mutual Fund Company	An investment company that pools money from shareholders and invests in a variety of securities such as stocks, bonds, and money market instruments.
Mutual Fund family	The array of mutual funds offered by a single Mutual Fund Company. Individual funds can have varying degrees of risk and investment objectives.
N	
Nasdaq	National Association of Securities Dealer Automated Quotations system, designed to facilitate over-the-counter stock trading.
National Association of Securities Dealers (NASD)	Supervised by the Securities Exchange Commission, the NASD standardizes investment practices, sets ethical standards, develops rules and regulations and enforces the rules with an industry disciplinary body.
Net Asset Value (NAV)	The total value of the assets, including stocks, bonds, and/or other securities, owned by a mutual fund, less all liabilities, divided by the number of outstanding shares. This value does not include any sales charges, such as a Load or 12b-1 Fee. The NAV is calculated once each day after the close of the market.

Net change	The amount and direction of a security's price change since its previous close.
Net income	For a business this is the total revenue minus total expenses, which is the same as its net profit or Earnings.
No-load Mutual Fund	A mutual fund that has no sales charge when shares are bought or sold. However, a Transaction Fee or Short-term Redemption Fee may apply to some no-load mutual fund transactions.
Nominal rate	Also known as nominal yield. The percentage of annual interest which would be earned from a fixed income investment (for example, bonds) if the security was purchased at par value; actual rate of return is usually different.
O	
Odd lot	This is a securities trade made for less than the "normal trading unit" (Round Lot). In stock trading, any purchase or sale of less than 100 shares is generally considered an odd lot.
Open	The price at which a security opened for trading on a given day.
Open order	A buy or sell trade order that has not yet been executed or cancelled.
Open-end fund	A mutual fund with no limit to the number of shares that can be issued. These shares are purchased directly from the fund company itself, or through a brokerage firm.
Operating expenses	The business expenses that mutual fund companies pass on to shareholders, including management fees and 12 b-1 fees. These costs are paid from a fund's assets before earnings are distributed to shareholders.
Option	A contract that permits the owner (depending on the type of option held) to purchase or sell a security at a specific ("strike") price until a specified expiration date. An option to purchase a security is a "call." An option to sell a security is a "put." The price of the option itself is the "premium." You must be pre-approved by Schwab to trade options. See Call Option and Put Option.
Order conditions	When placing a trade order, these are the specific instructions you include regarding time and execution conditions. Time conditions indicate how long to leave the order open; execution conditions specify how you want the order to be filled. Also see Special Conditions.
Ordinary income	Income other than a capital gain. For example, ordinary income includes wages, dividends and interest earned on savings.
Over-The-Counter (OTC)	Over-the-Counter refers to stocks not traded on registered exchanges. Many OTC stocks are traded through the National Association of Securities Dealers Automated Quotations (NASDAQ), National Market System (NMS), OTCBB (Bulletin Board) or the Pink Sheets.
P	
Paired plan	In reference to a Qualified Retirement Plan, a paired plan is the result when an employer adopts both a Profit Sharing Plan and a Money Purchase Pension Plan.
Pay date	The date the shares from a split or dividend are sent to the shareholders.
Performance	The results of an investment's activity over time. Past performance does not guarantee future performance.
Pink sheet stocks	These are over-the-counter stocks, which are not included in the daily NASDAQ over-the-counter listings. The National Quotation Bureau publishes a daily

	listing of bid and ask prices for pink sheet stocks.
Portfolio	All of the various investments held by an individual investor or organization.
Position	Security holdings in an account or portfolio.
Preferred stock	A class of stock that pays dividends at a specified rate and has preference over Common Stock in the payment of dividends and the liquidation of assets. Preferred stockholders may have different voting rights. Not all securities have preferred stocks.
Pre-tax profit	Gains from a sale before taxes have been paid.
Price	The cost for a security. For mutual funds, price is the net asset value (NAV). For mutual funds with a load, the price including the load is the Public Offering Price (POP).
Price/earnings ratio	Price of a stock divided by earnings per share.
Primary beneficiary	A person or organization designated to receive the funds or other property from a trust, insurance policy, retirement account or other contract.
Primary market	The market where new securities are issued (usually through a brokerage firm). For comparison, see Secondary Market.
Principal	The amount of money that is financed, borrowed, or invested.
Profit sharing	Plan A plan that enables employers to share profits with employees, at the employer's discretion. The compensation may be stocks, bonds or cash and can be immediate or deferred until retirement.
Program trading	Computer buying (buy program) or selling (sell program) of baskets of 15 or more stocks by index arbitrageurs, specialists, or institutional traders.
Prospectus	<p>A legal document offering securities or mutual fund shares for sale.</p> <p>When you invest in a mutual fund, the prospectus will provide valuable information about the specific goals, fees, and practices of the fund.</p> <p>Federal and state securities regulators require that the prospectus include the fund's investment objectives, policies and restrictions, fees and expenses, and how shares can be bought and sold. It should be read carefully prior to investing.</p>
Public Offering Price (POP)	<p>The price an investor pays for a share of a Load mutual fund.</p> <p>The POP is calculated by taking the Net Asset Value (NAV) and adding any load costs, charged by the Mutual Fund Company to maintain the fund.</p> <p>If the fund is a No-Load fund the POP and the NAV are the same.</p>
Put option	Gives the buyer the right to sell a number of shares of stock at a price until the option's expiration date. Put buyers hope the price of the stock will fall. Puts may also be purchased to protect an investment in case the price of the stock goes down. You must be pre-approved by Schwab to trade options. See Call Option .
Q	
Qualified Retirement Plan (QRP)	A tax-deferred plan established by an employer for employees under IRS rules. A qualified retirement plan usually includes provisions for employer contributions (money purchase pension plans) and may also allow employee contributions. Certain deductions and other tax benefits may apply to employer contributions to these plans. The plans build up savings, which are paid out at retirement or on termination of employment . Employees pay taxes only when

	<p>they withdraw the money.</p> <p>Examples of qualified retirement plans include 401(k), 403(b), Money Purchase, Profit Sharing, Defined Benefit, and Keoghs.</p>
Quantity	The number of shares you want to Buy, Sell or Sell Short.
Quote 31	The current "spread" relating the bid and the ask for a security. The bid is the highest price at which someone is willing to buy a security. The ask is the lowest price at which someone is willing to sell a security.
R	
Redemption fee	Some mutual funds impose a charge when you sell your shares within a certain period of time, which can vary. A redemption fee is also known as a back-end Load. See the fund prospectus for details about the designated holding period. Also, see Short-term Redemption Fee .
Registered Investment Advisor (RIA)	An individual who is registered with the Securities Exchange Commission (SEC) in accordance with the Investment Advisors Act of 1940. Advisors are required to register annually with the SEC and to disclose any potential conflicts of interest they have concerning recommendations made for their clients.
Regulation T	Call Also called a Fed Call - This is the amount an investor must deposit if buying on margin or selling short, as required by the Federal Reserve Board's Regulation T. Current Federal Reserve requirements are 50% of the cost of the trade for equities. Schwab reserves the right to impose higher or Special Maintenance requirements.
Reinvestment	Using earnings or distributions from an investment to purchase additional shares in that security, rather than taking them as cash.
Retirement plan distribution	A withdrawal of funds from a retirement plan.
Return	The change in value of an investment over a given period of time, expressed as a percentage of the total amount invested (including reinvestment of any dividends and capital gains distributions).
Rights	Rights allow existing shareholders of a corporation to subscribe to shares of a new issue of common stock before that stock is offered to the public. A right usually has a life of 2 to 4 weeks, is transferable, and entitles the holder to buy the new common stock below the Public Offering Price. Rights are often granted to protect existing shareholders from the effects of dilution.
Risk	The possibility for loss of some or all of the money you invest. Also, the degree of probability for such a loss.
Risk tolerance	The degree to which an investor can financially and emotionally withstand declines in the value of his or her investments.
Risk/return factor	The relationship between an investment's growth potential and its exposure to loss.
Rollover IRA	A tax-free transfer of assets from one qualified retirement plan to another.
Roth IRA	A type of Individual Retirement Account that allows retirement savings to grow tax-free. You pay taxes on contributions, but not on withdrawals (subject to certain rules). To participate in a Roth IRA, taxpayers are subject to certain income limits.
Round lot	The basic unit of trading for a particular security. For stocks, the generally accepted unit of trading is 100 shares. See Odd Lot .

<p>Rule 80-B</p>	<p>When there is extraordinary market volatility, Rule 80-B takes effect when the Dow Jones Industrial Average (DJIA) drops a predetermined value below its closing value of the previous trading day. Trading in stocks will halt on the NYSE, AMEX, Regional exchanges and NASDAQ for a set amount of time based on the amount of the decline.</p> <p>A 10 percent drop (Level 1) in the DJIA will halt trading for:</p> <ul style="list-style-type: none"> • 1 hour if the decline occurs before 2:00 p.m. Eastern Time (ET) • 30 minutes if the decline occurs between 2:00 p.m. and 2:30 p.m.(ET) • No halt if the decline occurs after 2:30 p.m. (ET) <p>A 20 percent drop (level 2) in the DJIA will halt trading for:</p> <ul style="list-style-type: none"> • 2 hours if the decline occurs before 1:00 p.m. Eastern Time (ET) • 1 hour if the decline occurs between 1:00 p.m. and 2:00 p.m. (ET) • Closed for the remainder of the day if the decline occurs after 2:00 p.m. (ET) <p>A 30 percent drop (Level 3) in the DJIA, at any time, will result in the market closing for the remainder of the day.</p> <p>*The point levels will be reset quarterly at 10, 20, and 30 percent of the DJIA by using the DJIA average closing values of the previous month, rounded to the nearest 50 points. Point levels will be adjusted on Jan. 1, April 1, July 1 and Oct. 1. For the exact point levels, please feel free to contact a Schwab representative at 800-435-4000.</p>
<p>Russell 2000 Index</p>	<p>A performance benchmark for the U.S. domestic stocks asset category. This index is comprised of 2000 public companies with market capitalization's ranging from approximately \$180 million to \$1.4 billion.</p>



S	
<p>S&P 500 (Standard & Poor's 500 Index)</p>	<p>Considered to be a benchmark of the overall U.S. stock market. This index is comprised of 500 widely-held, Blue Chip stocks representing industrial, transportation, utility and financial companies with a heavy emphasis in industrials.</p>
<p>SARSEP-IRA</p>	<p>This salary deduction plan was discontinued December 31, 1996 and replaced with the SIMPLE IRA. However, employers who already had a SARSEP in operation by that date can continue to operate a SARSEP plan.</p>
<p>Schwab Mutual Fund OneSource® Service</p>	<p>A service that allows individuals to invest in mutual funds from many well-established fund companies without paying loads, transaction fees or commissions.</p> <p>Schwab's short-term redemption fee of \$49.95 will be charged on redemption of funds purchased through Schwab's Mutual Fund OneSource® service (and certain other funds with no transaction fee) and held for 90 days or less. Schwab reserves the right to exempt certain funds from this fee, including Schwab Funds®, which may charge a separate redemption fee, and funds that accommodate short-term</p>

	trading. Schwab reserves the right to change the funds we make available without transaction fees and to reinstate fees on any funds. Schwab receives remuneration from participating fund companies.
Secondary Market	A market where investors buy securities from other investors, rather than from issuers. For comparison, see Primary Market.
Sector	A group of stocks that share common industry characteristics. For example, airline company stocks are a sector of the transportation industry.
Sector Fund	A mutual fund that seeks to limit its investments to a specific industry or economic sector, e.g., technology, real estate or health care. These funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification.
Securities Exchange Commission (SEC)	A government regulatory agency that oversees and enforces the securities laws of the United States, publishes rules and guidance for the securities industry, and provides investor education.
Securities Investor Protection Corporation (SIPC)	Insures securities and cash (up to specified limits) in the customer accounts of member brokerage firms against the failure of those firms. The SIPC does not protect investors against market risks.
Security	A stock, bond or other investment instrument issued by a corporation, government or organization that signifies an ownership position or creditor relationship.
Security Type	The type of security such as stock, bond or mutual fund.
Sell	Indicates you already own a security and wish to transfer ownership in exchange for money.
Sell a fund / buy another fund	This is the action of selling shares in one fund and using those dollars to purchase shares in another fund. Please realize that when you move money between funds, the sale could be taxable and a transaction fee may apply.
Sell short	Indicate a "sell short" order when you want to borrow stock and sell it, with the understanding that you must buy it back later (hopefully at a lower price) and return it.
Sell to close	A long option position is closed when it is sold. See Option .
Sell to open	A short position is opened when an option is sold. See Option .
SEP-IRA	Simplified Employee Pension IRA. An individual retirement account set up by a small business employer or by a self-employed person, providing certain requirements are met and there is no 401(k) plan in place. A SEP-IRA is funded by contributions from the employer for his/her own benefit and of any employees'.
Settlement Date	The business day by which you must pay for securities purchased or deliver securities sold.
Share	A unit of ownership in a company, mutual fund or limited partnership. Company shares are represented by a stock certificate that specifies the company and the shareholder and number of shares.
Shareholder equity	For a company, this is its total assets minus total liabilities.
Shares outstanding	The number of shares that have been issued that are actually in the hands of the public.
Short-term capital gains	Gains from the sale or exchange of a capital asset held less than one year. Short-term capital gains are taxed at your ordinary income rate.
Short-term obligations	Debt instruments, usually to be repaid within a year or less.

Short-term redemption fee	This fee is charged when shares are sold within a short period of time. See the fund prospectus for details about the length of the designated holding period.
SIMPLE IRA	Savings Incentive Match Plan IRA. A retirement plan for employees of companies that do not have a 401(k) plan and which employ fewer than 100 people. A SIMPLE IRA allows the employees to set aside a percentage of their pre-tax wages into a special individual retirement account. The employer is required to contribute to the employee's plan. Employer contributions may vary from year to year. All contributions and earnings grow tax-deferred until withdrawn.
Small cap	The stock of a company with a market value (capitalization) of less than \$1.5 billion. Small-cap companies tend to be smaller emerging companies and are more volatile than large-cap companies.
Special conditions	Special conditions may be applied to an order, such as All or None (AON) or Do Not Reduce (DNR).
Special maintenance	Schwab may impose higher maintenance requirements on certain securities due to their volatility. To find out what the margin maintenance requirement is for any stock, enter a stock symbol on the Quotes and Research page and click on the "Margin Requirement" link within the Stock Summary.
Special Memorandum Account (SMA)	This is a special account authorized by the Federal Reserve Board to preserve buying power in your margin account. It reflects any excess equity you have above the required amount (50% for marginable securities). The figure is part of the calculation used to determine your Margin Buying Power. Unlike a credit balance or market value, SMA is a bookkeeping entry that reflects a history of the excess equity* above the required minimum for Regulation T, plus all of the charges and releases from the past activity in the account. Once the SMA has been credited with any excess equity, it remains available until used for a purchase or a cash withdrawal. The SMA is retained even if the market value of securities held on margin subsequently declines, which could result in an SMA figure greater than your margin Cash Available (inflated SMA). A Fed call is generated when a trade occurs in an account that does not have sufficient SMA to satisfy the initial requirement of the Federal Reserve.
Specialist	An individual, corporation, partnership, or group of firms that is responsible for a given exchange-traded security. The specialist stands ready to buy and sell shares to maintain an orderly market. A Market Maker serves a similar purpose for an OTC security.
Stock	A document that establishes proportionate company ownership represented as shares. Different types of stocks (e.g., common stock) have different advantages and responsibilities associated with them. As a stockowner, you share in the profits and losses of a company.
Stock dividends	A dividend paid in stock rather than cash.
Stop limit order	A combination of a Limit Order and a Stop order used to protect a profit or limit a loss -- This is a request to Buy or Sell a security at a specified limit price or better, but only after the specified stop price has been reached or passed. Even if the stop price is triggered, a Stop Limit order guarantees the limit price, but not the execution. For comparison, see Stop Order .
Stop order	Indicates a request to Buy or Sell at the market price*, but only when the security trades at or past a price that you specify (called the Stop price). Once the stock price moves to or through the stop price, your pending Stop Order becomes a market order which guarantees execution, but not price. For comparison, see Stop Limit . *For a listed stock, a standard stop order is an order to buy or sell at the market price once the security has traded at or better than the price you specify (the stop

	price). For an Over-The-Counter (OTC) security this happens when the inside bid or offer is equal to or better than your stop price.
STRIPS	Zero coupon Treasuries issued by the U.S. at a discount from face value. Interest is paid as a lump sum at maturity.
Surrender charges	Fees for terminating a Certificate of Deposit (CD), insurance or annuity contract before it matures.
Symbol	The unique 1-5 character designation used to identify a security for trading.
T	
Taxable bond funds	Taxable bond funds generally invest in the debt obligations issued by the U.S. Treasury, other U.S. government agencies, and U.S. corporations. They also may invest in high-yield and foreign (non-U.S.) bonds.
Tax-advantaged	Accounts or investments that provide tax benefits. For example, an investment that requires you to pay federal but not state taxes would be considered tax-advantaged.
Tax-deferred	A provision that allows taxes to be postponed until a later date. Generally this applies to investments in retirement plans, annuities, savings bonds and Employee Stock Option Plans.
Tax-efficient	Investments that are managed with the objective to minimize tax consequences.
Tax-exempt	Accounts or investments that generally are free from tax liability.
Tax-free	Accounts or investments that have no tax consequences.
Tax-free bond funds	Tax-Free Bond Funds invest in the municipal bonds issued by state and local governments to fund general expenditures and public projects.
Tick	A small price movement of a stock. Also, the direction the price moved on its last sale. For example, an up-tick means the last trade was at a higher price than the previous one.
Ticker symbol	The unique 1-5 character designation used to identify a security for trading. Another name for symbol.
Time conditions	The following time limits may be applied to Stop, Limit, or Stop Limit orders: Day Only, Good Until Canceled, Fill or Kill, Immediate or Cancel.
Time horizon	The amount of time, usually years, that you expect to keep an amount of money invested.
Total assets	The combined value of all items of monetary value owned by an individual or business. A company's assets include tangible assets, such as equipment, inventory and real property, and intangible assets such as goodwill (the value of a company's name in the market), patents and other intellectual property, which are owned by a company and given monetary value in the company's balance sheet.
Total revenue	Total of all sales and income generated by a company.
Trade confirmation	Written statement acknowledging a securities transaction and its details.
Traditional IRA	Another name for a standard Individual Retirement Account. This name more clearly distinguishes it from other types of IRAs, such as a Roth IRA.
Transaction fee	A fee charged for purchasing or selling certain mutual fund shares.
Treasury bill	A short-term debt security of the U.S. government, also known as a "T-Bill." T-Bills are usually held for a short time period (i.e., three months to one year) and

	can easily be converted into cash. T-Bills are typically sold at a discount and are exempt from state and local taxes. The money you will make on a T-Bill is the difference between the face value of the T-Bill and what you paid for it. T-Bills are sold in \$1000 increments.
Treasury note	A mid-term debt security of the U.S. Government, with maturities ranging from two to ten years that pay a fixed rate of interest every six months and returns its face value at maturity. Minimum denomination is \$5,000 plus \$1,000 increments for a two to three year maturity, or \$1,000 plus \$1,000 for a four to ten year maturity.
Treasury security	Debt obligations of the U.S. Government that are issued through the Department of the Treasury. Since they are backed by the full faith and credit of the U. S. Government, they are considered virtually free from risk of default. For individual investors, the income of Treasuries is exempt from state and local taxes.
Trust account	A legal plan by which the trustor places assets in trust for a beneficiary.

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U	
Unit Investment Trust (UIT)	A portfolio of securities that are purchased and held in trust. Units in the trust are then sold to investors who receive a share of interest payments and a share of the principal, as the bonds in the portfolio mature or are called.
V	
Vested	The percentage of ownership in a retirement plan assets.
Volatility	The magnitude and frequency of changes in a security's value within a short period. The more volatile an investment, the higher its risk and potential return. Volatility is usually measured by calculating the annualized standard deviation of daily change in price.
Volume	The daily number of shares traded in a security.
W	
Warrants	A type of security usually issued together with a bond or preferred stock that allows the holder to buy a proportionate amount of common stock at a fixed price (usually above the market price at the time of issuance) for a period of years or to perpetuity. Warrants are transferable and trade on the major exchanges. They are also known as Subscription Warrants.
Y	
Yield	The annual rate of return of an investment paid in dividends or interest, expressed as a percentage. For a mutual fund, the yield is the rate of return earned by the securities in the fund's portfolio, less the funds expenses during a specified period. A fund's yield is expressed as a percentage of the maximum offering price per share on a specified date.

Z**Zero coupon bond**

Zeros are securities that do not pay interest during their terms but are sold at a discount from their face value. A zero coupon bond generally increases in value as it approaches maturity, and the return comes solely from its appreciation. The dollar amount difference between the purchase price and the maturity value represents the yield or accretion value. Maturities range from 1 to 30 years.

#**12b-1 fee**

A fee charged by the Mutual Fund Company to pay for marketing, advertising and distribution services. The 12b-1 distribution fee ranges from 0.25% to 1.0% of the fund's assets.

401(k)

A type of salary deferral retirement plan that allows employees to make pre-tax contributions from earned income, which reduce their taxable income. Employers can match some or all contributions subject to maximum.

403(b)

A qualified retirement plan similar to 401(k) plans designed for non-profit organizations. Qualified plans meet the requirements of the Internal Revenue Code, making them eligible for favorable tax treatment.

457 Plan

A qualified retirement plan for state employees and employees of certain tax-exempt organizations, which allows them to make systematic, pre-tax contributions to their individual retirement savings accounts. Contributions in a 457 Plan grow tax-deferred.

52-week high

The highest price at which a security has traded within the previous 52 weeks.

52-week low

The lowest price at which a security has traded within the previous 52 weeks.

529 college savings plan

A state-sponsored education savings program that allows parents, relatives and friends to plan and invest for a child's college education. An adult sets up the account for the student. While contributions aren't tax-deductible, earnings in the account grow tax-deferred until withdrawn to pay for college fees and expenses. Beginning in 2002, qualified withdrawals will be exempt from federal tax.