GLOSSARY

401(k) – a plan that helps people save money for retirement, offered by a company to its employees so that individuals can put a certain amount of money into the plan each month, where it is invested, without paying taxes on it until the money is taken out of the plan
* In 2011, the maximum amount you can put in a 401(k) is $16,500.

IRA – individual retirement account; a plan that helps people save money for retirement, created by an individual (not an employer), usually allowing money to be invested without paying taxes until the money is taken out of the plan
* How much money do you put into your IRA each year?

investment – money that is used to try to make more money, usually by contributing it to a business activity or a loan so that one receives dividends or interest
* Buying stock in Uncle Henry's business was a terrible investment and we lost almost all our money.

diversified – with a variety of different kinds of things; not all the same
* Growing diversified crops, with many different kinds of vegetables and grains, seems less risky than growing just corn.

portfolio – all the investments owned by someone, especially stocks
* Energy-related stocks make up 60% of her portfolio.

bond – an agreement for a company or government to pay back a certain amount of money with interest
* Bonds don't pay very high interest rates, but they are safe because the interest payments are guaranteed.

CD – certificate of deposit; an agreement for a bank to pay a certain amount of interest if the individual keeps a large amount of money deposited with the bank for a certain period of time
* What are the current interest rates for a two-year, $10,000 CD?

money market – a checking account that pays interest
* The bank pays 1.7% interest on our money market account as long as we maintain a minimum balance of $75,000.

to balance (something) out – to maintain a balance or equilibrium; to counteract; to do something that evens out something else
* Jenna ate a huge bowl of ice cream yesterday, but she tried to balance it out by working out at the gym for an extra hour.

return – the percentage earned on one's investment; the amount of money received divided by the amount of money invested
* We were really pleased to get an 8% return on our investments last year.

mutual fund – a company that combines investments from many small, individual investors and invests all the money in a combination of stocks and bonds to try to get higher returns and better diversification than the individual investors could
* Kayla invests $50 in a mutual fund each month.

stocks – shares; partial ownership of a company that can be bought and sold to try to make money
* George is researching stocks in the energy and technology sectors.

to go over (one's) head – to not be understood at all because it is too complex or difficult
* I tried to read an article about quantum physics, but it went over my head.

to know (something) from (something) – to recognize that two things are different; to understand two things well enough to be able to recognize the differences between them
* Before I took that cooking class, I didn't know a whisk from a spatula.

to range from (something) to (something) – to vary between; to have a value between two points
* The car's fuel efficiency ranges between 23 and 36 miles per hour.

fixed – not changing; set; with a constant value
* Our rent is a fixed monthly cost, because we always have to pay the same amount.

variable – changing; not set; with a value that changes over time
* If you want to save more money, try to reduce your variable costs, like your electricity, gas, and water bills.

a fool and his money are soon parted – a phrase meaning that foolish, unwise people do not know how to save their money, so they spend it or lose it and are unable to save it
* Do you really think it's a good idea to buy a luxury car before you've finished paying off your student loans? A fool and his money are soon parted.

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COMPREHENSION QUESTIONS

1. Which of these investments has the lowest risk?
a) A 401(k).
b) A bond.
c) A mutual fund.

2. What does Karen mean when she says Jimmy's explanation "went over her head"?
a) He spoke too quickly.
b) She wasn't able to understand him.
c) He spoke too quietly.

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WHAT ELSE DOES IT MEAN?

return
The word "return," in this podcast, means the percentage earned on one's investment, calculated as the amount of money received divided by the amount of money invested: "Would you rather have a guaranteed 3% return, or a 20% chance of getting a 20% return?" The phrase "in return for (something)" means in exchange for something, or as payment for something: "We'll give you meals and a place to sleep in return for free childcare." Finally, the phrase "the point of no return" refers to the point in an activity or process where it becomes impossible to stop or reverse what one is doing: "The editor called to make some last-minute changes, but we were already past the point of no return, because the book had already been printed and shipped."

fixed
In this podcast, the word "fixed" means set or not changing, or something that has a constant value: "Are these prices fixed, or is there room for negotiation?" The word "fixed" can also mean held in place or attached to something else: "Is this poster fixed to the wall with tacks or tape?" The phrase "fixed ideas" refers to opinions or beliefs that are very strong and cannot be changed by other: "He's

always had very fixed ideas on the role of government in helping poor people." Finally, the phrase "How are you fixed for (something)?" is used to ask someone whether they have enough of something in order to do something: "How are you fixed for time to finish this report by Friday?"

CULTURE NOTE

Licensed Investment Advisors

Choosing the best type of investment can be very "complex" (difficult or confusing, with many factors), so many people "turn to" (seek guidance or advice from) "licensed" (with an official certificate recognizing a certain level of knowledge and experience) "investment advisors" (people whose job is to help others make good investment decisions).

In the United States, there are three main types of investment advisors or financial advisors. An "Investment Advisor Representative" helps people select investment tools. A "Registered Representative," also known as a "Stock Broker," helps people buy and sell stocks or shares. And an "Insurance Producer" helps people "obtain" (get) insurance policies.

All financial advisors must pass an exam and receive a certification or license before they can legally provide investment advice or sell investment tools or insurance in the United States.

Some investment advisors "go a step further" (do more than what is expected) by getting specialized certifications that require additional study. For example, some investment analysts list "CFA" or "CFP" after their name, which stands for Chartered Financial Analyst or Certified Financial Planner. These "professional designations" (titles given to people who have met certain requirements and demonstrated a certain level of knowledge and experience) are "issued" (given out) by U.S. professional organizations.

Some people who are not financial advisors call themselves "wealth managers," "financial consultants," or "financial planners," but they do not necessarily have any special license or certification. Their advice can still be valuable, but "buyers beware" (be aware that these people do not have as much education or experience as others, so their advice should be accepted only very carefully).

Comprehension Questions Correct Answers: 1 – b; 2 – b

COMPLETE TRANSCRIPT

Welcome to English as a Second Language Podcast number 696: Investing Your Money.

This is English as a Second Language Podcast episode 696. I'm your host, Dr. Jeff McQuillan, coming to you from the Center for Educational Development in beautiful Los Angeles, California.

This episode, like all of our episodes, has a Learning Guide. Go to our website at eslpod.com and download the 8- to 10-page guide. You'll get a complete transcript of everything we say on this podcast, not just the dialogue, as well as a lot of other good information to help you improve your English.

This episode is a dialogue about "investments," taking your money and putting it somewhere so that you can make more money. Let's get started.

[start of dialogue]

Karen: My company offers a 401(k) plan. Do you think I should have one?

Jimmy: Yes, definitely. I had a 401(k) account when I worked for McQ Corp, and when I started working on my own I converted it to an IRA.

Karen: I really don't understand any of these investment options. I talked to an investment specialist at my bank, but I left her office just as confused as when I went in.

Jimmy: Look, you want to have a diversified portfolio of lower-risk and higher-risk investments. On the low-risk end, put money in bonds, CDs, or a money market account. You want to balance that out with some riskier investments that may bring a higher return, such as mutual funds and stocks.

Karen: Wow, all of that just went over my head. I don't know a CD from a bond.

Jimmy: It's really simple. Your choice ranges from a fixed return to a variable return, and the variable investments carry different levels of risk.

Karen: My head hurts. Are you sure I really need all of these investments?

Jimmy: Not all of them, but it would be smart to invest your money in something.

Karen: Not if I spend it all first, right?

Jimmy: Right. You know what they say: "A fool and his money are soon parted!"

[end of dialogue]

Our dialogue begins with Karen saying to Jimmy, "My company offers a 401(k) plan. Do you think I should have one?" A "401(k)" is the name the government gives a certain kind of retirement savings plan. It helps people save money by allowing the company to take money out of your weekly or monthly paycheck and put it into some sort of investment, typically some sort of stock investment. The advantage of the traditional 401(k) plan is that you don't have to pay taxes on the money that you put into the account until you retire. That's the traditional 401(k). It's a plan that's offer by private businesses, typically. Government organizations have somewhat different plan names, but they have the same function – they do the same thing.

Jimmy says to Karen, "Yes, definitely. I had a 401(k) account when I worked for McQ Corp (McQ Corporation, the name of the company), and when I started working on my own I converted it to an IRA." An "IRA" is another kind of retirement savings account; this helps you save money. It's something that you open, not your employer. The 401(k) is something that the person or the company you work for operates. An IRA is something that you can open on your own, and there are different kinds of individual retirement accounts.

Karen says, "I really don't understand any of these investment options." "Investment" is when you use your money to make more money by buying stocks, or buying a building or a house, or part of a business, and so forth. Karen says, "I talked to an investment specialist (someone who's an expert) at my bank, but I left her office just as confused as when I went in," meaning she went to talk to the person but she was still unclear; she was confused after she talked to her.

Jimmy says, "Look (meaning pay attention to what I'm going to say), you want to have a diversified portfolio of lower-risk and higher-risk investments." "Diversified" means it has a lot of different things in them, they're not all the same. A "portfolio" here means all of the investments that you own, especially stock investments. So, a "diversified portfolio" is one where you own a lot of different kinds of stocks. Jimmy says you should own low- or lower-risk and high- or higher-risk investments. "On the low-risk end," meaning some of the low-risk options, the ones that are not going to be likely to lose you any money but you probably won't gain a lot of money either, are bonds, CDs, and money market account. “Bonds” are basically an agreement between a company or a government and you to give you a certain amount of money with interest after a certain number of years. There are “short-term” bonds, bonds that only last a few months or a few years; there are “long-term” bonds that could last 15 or 20 years. In both cases, you give the company – you lend the company, essentially, some money and the company pays you back with interest at the end. “CDs” stand for certificate of deposit. That is similar, but here you give your money to a bank, and the bank keeps your money for a certain amount of time – six months, a year, two years – and at the end of that time they give your money back with interest. So, you’re kind of loaning your money to the bank, and the bank is paying you for that loan by giving you interest on your CD. CDs are very safe investments; you don’t make a lot of money, but you probably won’t lose your money either. A “money market” is perhaps the safest kind of investment – the least risky investment. That’s basically a checking account with your bank, and they give you interest – they pay you money for keeping your money in the bank. So, we have bonds and CDs and money markets; these are low-risk investments.

Jimmy says, “You want to balance that out with some riskier investments that may bring a higher return, such as mutual funds and stocks.” “To balance (something) out” is a phrasal verb meaning to keep a balance, to keep things even. We sometimes talk about eating a balanced meal or having a balanced diet. You should have some vegetables, some grains, some fruit, perhaps some meat, some fish, some candy – that’s a big part of a balanced diet, eating a lot of candy! Well, this is a balanced portfolio, so if you have low-risk investments then you should have something on the other end, high-risk investments; that’s to balance things out. You want a riskier investment in order to get a higher return. “Return,” when we’re talking about stocks and investments, is the percentage of money that you make or earn on your investment. If I give the bank 100 dollars and at the end of 6 months the bank gives me 105 dollars, with 5 dollars in interest, my return was 5 percent. So, all investments have a return; sometimes you lose money, of course. High-risk investments usually have higher returns, but it’s also more likely that you will lose money. So in order to get the higher return, you have to take more of a risk. “Return” has a number of different meanings in English; take a look at our Learning Guide for some additional explanations.

Some higher-risk investments include mutual funds and stocks. Let’s start with “stocks.” “Stocks” are partial ownership of a company. That is, if you buy, for example, Apple stock or Microsoft stock, you own a little bit of that company. So if the company does well, you will probably make money. “Stocks” are also sometimes called “shares” (shares). A “mutual fund” is typically a collection of different kinds of stocks. Usually you have many investors who give money to a company that owns the mutual fund, and they buy a lot of different kinds of stocks or a lot of different kinds of investments. So, it's something where you're not buying the individual stock directly; you're buying ownership in this mutual fund, and the fund will then go out and buy the stocks or bonds or whatever investment they are investing in.

Karen says, "Wow, all of that just went over my head." "To go over your head" here means not to understand what the person is talking about, usually because it's very complicated and you don't have much experience in it. Karen says, "I don't know a CD from a bond." This general expression, "I don't know (something) from (something else)," means you can't recognize the difference or don't know the difference between these two things. The opposite would be "to know (something) from (something else)," and that would be to understand the differences, but Karen doesn't.

Jimmy says, "It's really simple. Your choice ranges from a fixed return to a variable return, and the variable investments (or variable return investments) carry different levels of risk (or have different levels of risk)." "Ranges," for something to range from something to something else, means that these are the maximum and minimum, or this is the difference in value from the low end to the high end. In this case, the investment ranges from fixed returns to variable returns. "Fixed" here means it doesn't change, it has a constant value. The banks says that they will give you five percent interest on your CD. That's not going to change; it's not going to go up, it's not going to go down. For stocks and mutual funds and other variable return investments, it could go up or it could go down. "Variable" means changing; the value changes over time. The word "fixed" has a couple of other meanings in English; take a look at our Learning Guide for some more information.

Karen says, "My head hurts." That's kind of a funny expression to mean this is so much information or difficult information to understand, I can't understand it all. She says, "Are you sure I really need all of these investments?" Jimmy says, "Not all of them, but it would be smart to invest your money in something." Karen says, "Not if I spend it all first, right?" She's making another joke; she's saying, "Well, I don't have to invest my money if I spend it." Of course, if you spend it then you won't have money in the future. This is one of the great lessons in life that one must learn as you grow older, and some people never learn that if you don't save something today you won't have anything tomorrow.

Karen is joking by saying that she doesn't have to invest if she spends all of her money now. Jimmy says, "Right," meaning that's right, that's correct. Then he uses an old expression: "A fool and his money are soon parted." A "fool" is an idiot, a stupid person, an unwise person. If you have a stupid person, usually or often they will lose their money. "To be parted" means to be separated from. So, the money and the fool are separated because the fool loses his money. So, "a fool and his money are soon parted" means that people who aren't very smart usually lose their money; they spend it or someone takes it from them in some fashion – in some way.

Now let's listen to the dialogue, this time at a normal speed.

[start of dialogue]

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[end of dialogue]

We try to balance out the more serious topics on our podcast with hopefully some funnier ones. That's the job of our wonderful scriptwriter, Dr. Lucy Tse.

From Los Angeles, California, I'm Jeff McQuillan. Thank you for listening. Come back and listen to us again sometime on ESL Podcast.

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