Accountant

A professional who maintains accounts for businesses and individuals. Businesses use accountants for services such as maintaining financial records, tax affairs and payroll services. Individuals sometimes use accountants for tax returns.

Accrual rate

The rate at which your pension benefits build up as pensionable service is completed in a Final Salary Scheme.

Additional tax rate

If you have taxable income above £150,000 per annum you will pay the additional tax rate of 45% on income above this.

Additional Voluntary Contributions (AVCs)

When you top-up an occupational pension, by making extra contributions into a scheme that's run by your employer, you make an 'additional voluntary contribution'.

Adviser

A professional, who is qualified to give you advice. Among others, this could be an independent financial adviser (IFA), a mortgage adviser, a solicitor or an accountant.

Annual allowance

This is the maximum amount that can be contributed into your pension funds in a given tax year, while still receiving tax relief.

Annual statement

A statement from your financial services product provider sent to you once a year, showing how much you've paid, what your plan is worth

Annual Taper Allowance

If your earnings exceed £110,000 and, including pension contributions, exceed £150,000 the annual allowance is reduced on a sliding or tapered scale from £40,000 to £10,000. (Also known as tapered annual allowance)

Annuity

It's a payment that's usually paid monthly, which you'll receive as a guaranteed regular income during your retirement for exchange of part or all of your accumulated pension fund.

Asset allocation

Asset allocation is the process of putting your investment into a range of different investments such as equities, gilts, property and bonds. By diversifying the assets into which you invest, you can protect against any reduction in value of any one or more asset class. Asset allocation depends on your investment plans and attitude to risk.

Authorised firm

An authorised firm is one that has permission from the Financial Conduct Authority (FCA) to carry out regulated activities.

Auto Enrolment

Legislation that makes it compulsory for employers to automatically enrol eligible employees into a workplace pension scheme.

Basic rate taxpayers

You are a basic rate taxpayer if you are earning below the higher tax rate threshold and are paying 20% income tax for the tax year.

Basic state pension

This is the pension you receive from the government as a result of paying National Insurance (NI) contributions throughout your working life.

Bid Price

The price at which you sell units in a Unit Trust back to an investment manager.

Bid-Offer Spread

The difference between the prices at which you buy and sell back units in a Unit Trust.

Bonds

A bond is a type of security held on a debt or a single premium life assurance investment bond. Bonds are sold to investors by companies.

Bonus

An extra payment that may be added to the funds accumulated in a ‘with profits’ pension, endowment or investment policy. The amount of bonus depends on the profits the insurance/investment company makes in any one year, or over a period of years. Bonuses are normally either ‘reversionary’ for the annual bonus or ‘terminal’ for the final bonus.

Capital gains tax (CGT)

If the value of assets that you own increase in value, then you may need to pay Capital Gains Tax (CGT). For example, selling shares for more than you paid for them could involve paying some CGT. You get an annual allowance for capital gains and only pay CGT on any gain over this amount.

Carry forward

The facility for members of personal pension schemes to carry forward any unused annual allowance from previous years.

Client Agreement

All financial advisers must provide customers a document explaining who they are and how they work and charge for any work carried out on your behalf. This helps you understand the value and cost of the adviser's advice and service.

Commission

This is the payment that's made to a financial adviser for services that he or she provides, on the premiums paid. It's paid to the adviser by the product provider. If your adviser takes a commission, you may not need to pay any fees. Commission is only paid in respect of protection products.

Contract

A contract is a written or spoken agreement between two parties. For a contract to be in force there needs to be an offer, an acceptance, and a means of consideration (which means that something of value, either an object, a service or money, passes between the parties, and each party gives and receives consideration). Each party expects to carry out certain acts in return for the other party carrying out other acts.

Contracting out

When you opt to leave the State Second Pension (S2P) or State Earnings Related Pension Scheme (SERPS), this is known as contracting out. You'll receive a rebate on your National Insurance contributions, which can be invested in a pension fund. The ability to contract out has now ceased.

Corporate bonds

These are Bonds that are issued by companies when they need to borrow money. As an investment, they often offer higher rates of return than banks and building societies but with a varying amount of risk depending on the financial security of the company issuing the bond.

CPI

The Consumer Price Index (CPI) is a measure of inflation used by the British Government for its UK inflation target. It measures changes in a 'basket' of goods and services purchased by households.

Credit check

An enquiry made on the credit history of an applicant, normally by reference to one of the major credit agencies.

Critical illness cover

This is an insurance policy that you take out so that you can rely on having a lump sum paid if you're diagnosed with a specified critical illness.

Death post retirement

The pension and lump sum paid to the deceased member's spouse and/or other dependents where death occurs after retirement.

Death-in-Service

The pension and lump sum paid to the deceased member's spouse and/or other dependents where death occurs while still working for an employer and before normal retirement date.

Defined benefit

In this type of pension scheme, members receive a set pension income on retirement – based on their final salary, how many years they've been working for the company. It's also known as a final salary scheme.

Defined contribution

In this type of pension scheme, the amount of money you will have in your retirement fund depends on the amount of money you put in, where the money was invested and how much it grows. It's also known as a money purchase scheme.

Dividends

These are payments that are made to shareholders by a company from any retained reserves that the business has made.

Eligible Employee

An employee aged between 22 and state pension age who earns more than £10,000 per annum (£833 per month or £192 per week)

Equity

This is a term that's used to describe a company's issued stocks and shares. If you own shares in a company you own some of the company's equity. It can also be used to describe the amount, or value, of your home that you own. If you 'have equity' in a property, it means that you own a portion of it above the value of any debts secured on that property, such as a mortgage.

Estate Planning

For inheritance tax (IHT) purposes, an individual's estate is calculated as being his or her total assets less any liabilities at the time of their death. Proper estate planning could save your family hundreds of thousands of pounds, because IHT (sometimes called 'death duty') will be charged on what you leave behind, over the IHT threshold at time of death. Currently, IHT is due at 40% of the value of all the assets you leave behind on death above the IHT threshold.

Ethical investment

Ethical investments are opportunities offered by businesses or funds that aim to avoid companies involved in some kinds of activities, but instead favour those involved in other activities. For example, companies trading in armaments, cigarettes, animal research or alcohol are unlikely to be considered 'ethical' – but a company that is highly committed to recycling or human rights issues may be considered to have an ethical bias. Ethical investments can also be known as 'green investments' or 'socially responsible investments'.

Expression of wish

This refers to the choice a person makes to who should receive any lump sum death benefit. The choice is not binding on trustees or administrators and thus inheritance tax is normally avoided. (Also see 'N' for nominees).

Fees

Fees are one of the ways you can pay your adviser for their advice and services. They're usually fixed and agreed before the financial or legal advice and service is provided.

FCA

The Financial Conduct Authority (the FCA) is the UK's financial services regulator.

Final salary schemes

A final salary pension scheme is another description of a defined benefit scheme.

Financial Ombudsman Service

The Financial Ombudsman Service has been set up by law to help settle individual disputes between consumers and financial firms. It gives consumers a free, independent service to help resolve disputes, but you usually have to have first taken your complaint to the financial firm yourself before the Ombudsman can step in.

Fixed interest security

This is another name for a ‘bond’. The amount of interest you receive, when you invest in a fixed interest security, is stated at the time of purchase. These are usually regarded as a lower risk investment than stocks or shares

Fixed Protection.

Fixed Protection maintains the lifetime allowance at a certain level depending on which fixed protection the individual has. There are now 3 different versions. The most recent is Fixed Protection 2016 which maintains the lifetime allowance at £1.25 million. There is no end date set to apply for this protection. Fixed Protection can be lost if further contributions are made to your pension

Fixed rate

An interest rate that’s fixed is one that doesn't move up or down for a set period of time.

Flexible access drawdown

A pension that allows you to take variable amounts as you need them.

Fraud

This is a term that’s used to describe various dishonest acts included in the Theft Acts of 1968 and 1978.

Free-Standing Additional Voluntary Contributions (FSAVCs)

This is a pension top-up policy for an occupational pension scheme, but its run alongside your employer’s pension scheme - usually by a pension company.

FTSE100

The Financial Times Stock Exchange 100, the main UK share index which represents the share prices of the top 100 public limited companies by value.

Fund

General term for an investment vehicle which pools the money of investors and invests it according to a defined set of investment objectives.

Fund manager

An investment professional who takes decisions on what to buy and sell on behalf of a fund's investors.

Gilts

These may also be called gilt-edged or Treasury bonds. They're bonds that are issued by the UK government. They're regarded as being very low-risk, secure investments because it's the government that promises to pay you back.

Green Investments

This is another name for 'ethical investments', or 'socially responsible investments'.

Group Personal Pension

If you work for a company, you may have a Group Personal Pension. It's the name given to a group of personal pension plans offered by employers to employees.

Hedge fund

Hedge funds are a high risk investment: they comprise a complicated set of strategies that aims to make attractive returns on the stock markets.

Help to buy ISA

Help to buy ISA introduced in 2015 helps first time buyers save for a deposit for their first home by giving 25% tax relief on savings up to £12,000, but only given when a first home is bought. You could receive a government bonus of up to £6,000.

Higher rate taxpayer

You are a higher rate tax payer if you are earning more than the higher tax rate threshold and are paying 40% income tax for the tax year.

Income drawdown

A facility by which you can draw an income from your pension fund while keeping the rest fully invested. Under present rules you can do this until age 75, at which point you must use your remaining pension fund to buy an annuity.

Income protection

This is an insurance policy that pays you a monthly income if you're unable to work due to illness or injury, until you are able to return to work, or you retire, whichever is the sooner.

Income tax

This is the tax paid on your income. Generally, all income is taxable. The exceptions are for income falling within personal allowances and income that's generated from certain tax-efficient investments such as ISAs.

Independent financial adviser

Independent financial advisers (IFAs) are professionals who give financial advice about products and services across the whole market. They act on your behalf, and charge fees for their work

Index linked

Payments protected against the effects of inflation by increasing in line with changes in the index of retail prices.

Individual Protection

Individual Protection maintains the lifetime allowance at a certain level. There are 2 versions. The most recent is Individual Protection 2016 which maintains the life time allowance at the lower of £1.25 million or the value of benefits at 5 April 2016. There is currently no end date to apply for IP. A crucial difference between Fixed Protection and Individual Protection is that an Individual can continue to be an active member of a pension scheme.

Individual Savings Account (ISA)

There are two types of Individual Savings Account (ISA): Cash ISAs, and Stocks and Shares ISAs. Each tax year, you can put money into both types up to the annual limits. ISAs aren't an investment in their own right; they're a tax-free 'wrapper' in which you can shelter investments.

Inflation

The amount, expressed as a percentage, by which prices rise or fall year on year.

Inheritance tax (IHT)

Inheritance tax (IHT) is charged on an estate after a person's death. It's currently charged at 40% on amounts above the IHT threshold, which can change every year. A person's estate includes the total of everything owned, less any liabilities at the time of their death. If this amount is less than the threshold, no IHT is payable.

Joint life

A 'joint life' policy is one that's taken out by two or more people. Joint life policies can be useful for protecting a family in the event of either or both parents dying.

Junior individual savings accounts (JISA)

Junior individual savings accounts (JISA) offer a choice of thousands of funds that can be held tax efficiently.

Key features document

A 'Key features' document is one that all firms authorised and regulated by the FCA must give you to explain their services, or products, and details about anything that you're interested in buying.

Lifetime allowance

This is the maximum amount of money that you can accumulate as pension savings throughout your lifetime and still benefit from tax relief. If the amount you save exceeds the lifetime allowance, then you will have to pay tax on these savings.

Lifetime annuity

A lifetime annuity will give you a regular income for the rest of your life. You buy an annuity with the cash sum that's built up in your pension fund, so that you can have a regular income during retirement. There are different types of annuities to suit your needs and circumstances.

Lifetime ISA

Available from 6th April 2017 for savers aged between 18 and 40, this is a savings account which can be used towards retirement or buying your first home. You can save as much or as little as you want up to £4,000 per year. The government will provide 25% bonus on these contributions at the end of the tax year. Savers can make contributions from 18 up to the age of 50.

Money laundering

The government has introduced tough money laundering laws in a bid to combat international crime and terrorism. This means that solicitors and other professionals need to check that you are who you say you are when you first instruct them. They may also ask for proof of identity if you have not instructed them for some time. Usually, identity is provided with a form of photographic document – such as your passport.

Money purchase annual allowance

If a pension scheme member flexibly accesses their pension pot they will trigger the money purchase annual allowance rules. This means that they'll have a £10,000 annual allowance (money purchase annual allowance) for money purchase pension savings for that tax year.

Money purchase pension

Occupational pensions, personal, group personal, stakeholder, Free Standing Additional Voluntary Contributions (FSAVCs) and Additional Voluntary Contributions (AVCs) can be called money purchase pensions. You can choose where your contributions are invested. The size of your fund depends on your contributions, over what time period you invest them, and how well your investments grow.

Mortgage protection insurance

Accident, sickness and sometimes unemployment insurance (or payment protection insurance) is a policy that's used to help pay for your mortgage if your income is reduced due to certain circumstances.

Mutual company

A company which has no shareholders but is owned instead by it's with profits policy holders. National Insurance contributions

National Insurance (NI) contributions are an amount of money that's paid to the Government a percentage of your income if you are aged over 16 but under the pension age and you earn more than the minimum threshold. They go towards providing for state pensions, as well as other state-provided benefits. If you are an employee, NI is deducted from your pay before it is paid to you.

Nominees

Who you nominate for receipt of your pension upon your death.

Non-taxpayers

If you don't pay tax because your income is below the personal allowance threshold, then you can choose to receive gross interest (interest without tax deducted). Remember, the interest from investments could take you over the threshold. You can also reclaim any overpaid tax provided you make your claim within set time limits, usually around six years. If you want to receive your interest gross, you should complete Tax Form R85, which you can pick up from your bank, building society or savings provider, or find at www.hmrc.gov.uk/taxback/forms.htm

Occupational pension scheme

A legal contract set up by an employer to provide pensions and/or other benefits for one or more employees on retirement, death or leaving pensionable service

OEIC (Open Ended Investment Company)

A managed fund which holds a portfolio of investments which you can buy into. OEIC's issue shares instead of units, and normally quote a single price for buying and selling.

Offer price

The price at which you buy units from a unit trust manager.

Offshore funds

Funds based outside the UK for tax purposes.

OMO (open market option)

Your right at retirement to buy an annuity from a provider other than the one which administered your pension fund while you were working.

Opt out

The ability for an eligible employee who is auto enrolled into the work place pension scheme to opt out of the pension scheme. Opting out, could however mean losing valuable retirement benefits

Pay as you earn (PAYE)

The system by which income tax and National Insurance contributions are collected from your salary by your employer before it is paid to you, and passed to the Inland Revenue.

Payment protection insurance

This type of insurance policy pays a regular pre-agreed amount for a stated time if you can't work for specified reasons.

Permanent health insurance

Insurance which replaces the income you might lose through long term illness or injury. The amount you receive is related to your salary.

Personal allowance

A personal allowance is the amount of income that you can earn each year before you start paying tax.

Personal Equity Plans (PEPs)

From April 2008, Personal Equity Plans automatically became Stocks and Shares ISAs (see the glossary definition of Individual Savings Account).

Personal pension

This is a pension policy that's taken out through a pension company, into which you pay contributions and will at retirement provide some or all of your pension income. These are invested in funds, which you can choose according to your attitude to risk and plans for the future. A personal pension is set up on a money purchase (defined contribution) basis.

Personal Savings Allowance

This is the income you can earn from your savings each tax year without paying tax. If your total income is £17,000 or less you won't pay any income tax on your savings. Otherwise your allowance depends on the income tax band you are in. A basic rate tax payer can earn £1000 of income from savings tax free. A higher rate tax payer can earn £500 of income from savings tax free.

Phased Retirement

The facility to use small segments of your pension to buy annuities as and when you need more income, rather than buying a single annuity using your entire pension fund.

Premium

This is the name given to the regular amount you must pay for an insurance policy. Providers sometimes offer annual premiums, but most commonly premiums are paid monthly, although some companies charge interest on these arrangements and it is worth checking how much extra you may have to pay.

Price to earnings ratio (P/E)

The performance of companies is measured by their Price to Earnings (P/E) ratio. The price is the current share price, and the earnings are the profit that the company earns in one financial year for each single share.

Private medical insurance

This is a type of insurance policy that pays for you to receive private medical treatment. It's also known as private health insurance.

Probate

Probate is the process of obtaining legal authority to deal with the affairs of someone who has died and getting the will certified so that the executors can carry out the wishes and instructions contained within it in order to wind up the estate.

Property

Property is a type of asset. Property assets can be residential - such as your house – or commercial, such as offices and shops.

Protected rights pension

This is the part of your pension fund that has been built up due to redirection of national insurance contributions.

Qualifying earnings

Is the name given to the band of earnings you can use to calculate the contributions for auto enrolment. For the 2016/17 tax year this is between £5,824 and £43,000 a year.

Qualifying years

Qualifying years are those tax years in which you've paid a certain amount of National Insurance contributions. A minimum number of qualifying years must be built up during your working life to qualify for the full basic state pension.

Risk

Some investments are riskier than others. For example, an investment in the stock market is riskier than money put into savings accounts – there's more chance of something going wrong and you losing money. Riskier investments tend to offer potentially higher returns as compensation for the risks involved.

RPI

The Retail Prices Index (RPI) measures the change in the cost of a basket of retail goods and services.

Securities

The general name for stocks and shares.

Self-Invested Personal Pensions (SIPPs)

A Self Invested Personal Pension is a type of plan that allows you, or your appointed fund manager, to make choices from a wider range of investments than other personal pension schemes offer. With a SIPP you can invest in the shares of any company listed on a stock exchange.

SSAS (Small Self-Administered Scheme)

An occupational pension scheme in which the members are trustees and are directly responsible for administering the fund and paying out the benefits. Some funds are invested in assets other than insurance premiums.

Stakeholder Pension

This is a personal pension in its most simple form. A stakeholder pension will allow you to make a minimum investment of £20 per month and offer a range of funds in which to invest – and there must be no penalties for transferring away from the fund. Your employer may offer access to a stakeholder pension scheme.

State Pension

Your basic State Pension is based on your National Insurance contributions. You may also qualify for the additional State Second Pension if you are employed, based on your earnings and National Insurance contributions.

State Second Pension

The State Second Pension is an additional pension that's paid on top of your basic State Pension. It was called SERPS until 2002. Self-employed people are not entitled to a State Second Pension.

Stocks and Shares

Both terms mean the same thing: companies' stocks and shares that can be bought and sold. Owning a share in a company means owning a part of that company, or owning some of that company's stock.

Tapered annual allowance

See annual allowance taper.

Tax Exempt Special Savings Account (TESSA)

From April 2008, TESSAs automatically became ISAs.

Tax-efficient investing

Tax-efficient investing is the process of investing in such a way as to minimise the amount of tax paid. This could mean using tax-efficient investments such as ISAs, or making contributions to your pension.

Tax year

The tax year runs from 6 April to 5 April.

Term

This is the length of the contract you make with your mortgage, policy or investment provider.

Term assurance

This is a policy that provides a guarantee to pay a specific amount of money, during a pre-agreed period of time, if you die. It's also known as Life Assurance.

Total return

The combination of capital growth and reinvested income produced by an investment at the end of any given period.

Transfer value

The amount of money available to be transferred from one pension arrangement to another

Unit trusts

These are 'open-ended' investments in which the underlying value of the assets is directly calculated by the total number of units issued multiplied by the unit price less the transaction or management fee charged and any other associated costs. There are many different unit trusts available, all investing in different assets.

Valuation

This is an inspection, for the benefit of your lender, of the home you hope to buy. This is to reassure them they are not lending more than the property is worth and that the property is suitable security for the mortgage, but it won't tell you if the building is a good or bad buy. For your own peace of mind and to get an understanding of the physical condition of the property you are planning to take on, you may want to organise your own in-depth, structural survey, particularly on an older property.

Volatility

The degree by which share prices in a particular market or sector go up or down.

Whole-of-life insurance

A whole-of-life insurance policy lasts throughout your life so that your dependants are guaranteed a pay-out should you die as long as the premiums are kept up.

With Profits Policy

A life insurance or pension policy which has annual bonuses added to the sum insured

Yield

Yield is a general term for the rate of income that comes from an investment, expressed as an annualised percentage and based on its current capital value.