

The ABCs and 123s of Investments

We thought it might be fun to explore some of the ABCs and 123s of the investment industry, to see if new investors can learn a thing or two.

Some of the terms here are fairly commonplace, and it may be obvious as to where they originated and what they mean; others, not so much. Take a look and see if you recognize these, or if your investment vocabulary could be expanded:



ADR— an American Depositary Receipt is a stock that trades in the United States but represents shares in a foreign corporation. ADRs are bought and sold on U.S. stock markets.

Blockchain — The core technology for cryptocurrencies, such as bitcoin, that ensures the integrity of the currency by encrypting, validating, and permanently recording transactions.

Blue Chip Stock — A large, well-established company that is financially sound, an industry leader, and typically pays a dividend.

BRIC — a term that refers to the countries of Brazil, Russia, India and China, which were all deemed to be

at a similar stage of economic development. Commonly called “the BRICs” or “the BRIC countries” or “the BRIC economies,” related acronym BRICS includes South Africa.

ETF — an Exchange Trade Fund is a fund that trades throughout the day on a stock exchange, unlike a mutual fund that trades at the fund company at the end of the business day.

FANG stocks — are the collective stocks of technology giants Facebook, Amazon, Netflix and Google (now Alphabet).

IRA — an Individual Retirement Account carries one of the more well-known acronyms; it’s an account

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established for the retirement savings of an individual.

K-1s – the form Schedule K-1 is used to report income from partnerships, S corporations and some trusts.

Market Cap - refers to the how much a company is worth determined by the value of the company's outstanding shares. Mega-cap (Greater than \$200 billion), Large-cap (\$10 billion to \$200 billion), Mid-cap (\$2 billion to \$10 billion), and small-cap (\$300 million to \$2 billion).

OTC – Over-the-counter refers to the process of how securities are traded for companies not listed on a formal exchange.

REIT – a Real Estate Investment Trust trades like stocks do on the major exchanges, and it invests in real estate directly through properties or mortgages.

SEC – the purpose of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation.

SEP – a Simplified Employee Pension plan allows employers – businesses of any size, even self-

employed – to contribute to traditional IRAs (SEP-IRAs) set up for employees.

TIPS – Treasury Inflation-Protected Securities, commonly referred to as TIPS, is a Treasury bond issued by the U.S. government that provides protection against inflation and is used by investors to maintain purchasing power.

UIT – a Unit Investment Trust is a pooled investment vehicle in which a portfolio of stocks, bonds or other securities is selected by the sponsor and deposited into the trust, which invests in a fixed, unmanaged portfolio which is held for a predetermined time.

12b-1 fee – an internal expense of mutual funds, its name is derived from a section in the Investment Company Act of 1940.

401k – an employer-sponsored retirement account that was defined in subsection 401(k) of the Internal Revenue Code; it's a very common vehicle to help individuals save for retirement.

529 Plan – an education savings plan named after section 529 of the Internal Revenue code that allows parents and/or grandparents the opportunity to set aside funds to be used towards a child's education.

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