TEAM RED

Boost your money confidence

The first step is to stop being intimidated by the language of finances. Nicole Lapin decodes the jargon so you can make great decisions with your dollars.

Nicole Lapin is a former CNBC and CNN anchor and the author of *Rich Bitch: A Simple 12-Step Plan for Getting Your Financial Life Together... Finally.*

If I could offer four words to summarize my advice to women about their finances, they would be these: Stop smiling and nodding.

While I was in journalism school, I went to a party with some big names in TV news, including Helen Thomas (as in, the first female member of the White House press corps). While she was chatting with a few people, I worked up the courage to say hello. I shook her hand, then the group returned to talking about "shorting a stock." It stumped me—but I didn't dare ask questions. I stood like a smiling bobblehead and missed my only window to engage with my idol. (Later, I learned that **"going short"** means trying to make money from a stock that you doubt will do well long-term.)

Often, women are at a financial disadvantage because we don't speak the language. Many of the concepts aren't too difficult, so as soon as you become fluent, you can join the conversation, follow financial headlines, and make more informed choices. Let's start building your financial dictionary.

ASSET: Anything you own that has cash value. Assets aren't limited to what's in your bank account. Your home and your car: Those are assets. Assets that are cash or can be turned into cash quickly, like stocks, are "liquid assets." Ones that are hard to turn into cash fast, like a home, are "illiquid." Add both asset types and subtract any debt and liabilities and you get **net worth**, as in, "Oprah has a net worth of $3 billion." For most of us non-billionaires, though, you'll only really need the word *asset* when you apply for a loan or talk to your brokerage firm about your investments (which are also a type of asset).

COMPOUND INTEREST: Let's start with a term you probably know: regular ol' **simple interest**, the money you make from an investment or the money a lender makes from a loan to you. Compound interest, then, is when you take the interest from your original investment and reinvest it, so you can make money from that, too. You'll be earning "interest on interest," which multiplies your money quickly. Sounds powerful, right? It is. Most savings vehicles, like mutual funds, 401(k)s, and IRAs, already have compound interest built in, which is why you want to get one going ASAP to let the money snowball for as long as possible. But beware: A *loan* with compound interest—common on credit cards—can drive you into debt quickly, because the interest you haven't paid off yet keeps growing more interest.

THE DOW: I'll bet you hear this one a lot—especially if you're like me and obsessed with TV news. It's an abbreviation for the Dow Jones Industrial Average, a collection of the top 30 "blue chip" stocks such as Apple, Microsoft, and Wal-Mart. **Blue chip** is a nickname for very stable companies that are considered the strongest of the bunch, so they tend to weather the smaller ups and downs of the stock market. The performance of these stocks is usually a good indicator of how the overall market is doing. If you hear, "The market is up today," that's most likely referring to the Dow. It's good to know, because the Dow can reflect how other stocks will perform over time, as well as *your* spending power: When it falls for a long period, the economy usually isn't faring well either, and your money may not go as far. So being aware of the Dow helps you be a smarter investor *and* consumer.

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