

## Talking About Investing: Introduction and Vocabulary

With the economy what it is—not only the Americans are worried about their jobs, it seems like *everyone* is worried about losing his or her job—it might be strange to be talking about what to do with your extra money. Who has extra money at a time like this?

But, part of the problem with the economy was people not thinking clearly about their **investing behavior**. And so, this week is as good a time as any to talk about **investments** and what's good and what isn't.

Even better, we're going to hear someone who isn't me—lots of people speak English, you don't have to only listen to my voice—at the end of the week, talking about how your behavior can affect the kind of **returns** your investments make. And if someone can tell me how to reach my goals faster, you can bet that I'll be listening!

### Investing Vocabulary

**Behavior:** Think about the things you did—if you said 'please' and 'thank you,' if you were polite or rude—in school as a kid. The things you do, the way you act, your habits for dealing with other people are all your behavior. In school, my teachers would write things like “Toby is a bright boy, but he needs to work on his behavior.” In other words, I was a difficult student, sometimes. But that kind of behavior isn't connected—not that much—to **investing**. When we talk about **investing behavior**, we're talking about the habits you have as an **investor**. Are you emotional? Are you very logical? Do you celebrate every time that an investment of yours makes money? That's all part of your **investing** behavior?

**Gap:** Normally, 'gap' isn't an investing word. Instead of referring to money, it refers to differences. A very common difference is between the way children and their parents think. We call this difference the 'generation gap.' A gap can be more than just a difference, however. A gap can mean something is missing. If you imagine a puzzle with one piece missing, you can get the idea: the puzzle would have a gap.

**Stock:** Imagine a company like Microsoft. If I asked you who Microsoft belonged to, you might think of Bill Gates. But that's not 100% true. Anybody can buy a little bit of Microsoft. (When I looked just now, the price was \$18, but it changes every hour.) If you spend the eighteen dollars to own a tiny piece of Microsoft, you buy stock in Microsoft. Of course, you can pay eighteen thousand dollars for a thousand *shares* of Microsoft stock. Either way, the trick to **buying**—and **selling**—stocks seems to be knowing if the stock will be worth more or in a day, a week, or a year than it is today. Many companies sell stock.

**Fund:** Do you have time to study the market and pick which **stock** will be worth more tomorrow than it is today? I have tried it, and it takes a lot of time! An easier possibility is to give your money to a professional who combines your money with a lot of other people's money and buys **stocks** and other investments. This kind of plan is a fund: people give them their money, and the fund manager has the full-time job of trying to make the best **investments** possible.

**Period:** At the end of each sentence—each *written* sentence—is a dot '.' that we call a 'period.' But, like many words in English, the word has more than one meaning. It can also mean an amount of time. A week is a 'period of time.' So, is a month or a year. And Barack Obama will be President for a period of four years.

**Investment:** There's a saying in English that “it takes money to make money.” I don't know if it's 100% true or not, but the idea is this: if you have some money, you can **buy** something—**stocks**, gold, a house—that you will be able to **sell** for even more money in the future. Imagine I **buy** a house today for a thousand Euros and **sell** it in two weeks for two thousand Euros: that's what I call a good investment! Anything you **buy** to make money is an investment, even if you don't plan on **selling** it. Going to college—or learning English—can be expensive, but if it helps you make more money in your job, it's a good investment.

**Investor:** The idea of an **investment** is pretty clear to most people. But what is an investor? The question should be *who* is an investor? An investor is a person who makes **investments**. It's that simple. For some people, it's a full-time job. For other people, it's something they do 'on the side.' But, if you've ever made an **investment**, you've been an investor.

**Investing:** Making an **investment** isn't very difficult: you get on the Internet and buy some **stock**. The trick is making a *good* investment! And the 'art'—or maybe 'science'—of making good **investments** is investing. You'll hear it in statements like “I don't know anything about investing.” “I hear investing in real estate is difficult.” or “What are you investing in?” In the last statement—a *question*, really—you can see that investing can also mean simply the action of buying **investments**, whether they're good or bad.

**Underperform:** If you make an **investment** that has a good **return**, your investment 'performs' well. 'Performing' refers only to how well one investment does. But when you compare **investments**, it has a different meaning: if investment A has a lower return than investment B, investment A underperforms investment B. It means it performs worse than investment B. Normally, the opposite of 'under' is 'over,' but the opposite of underperform is 'outperform.' If Microsoft **stock** underperforms Google stock, then Google stock outperforms Microsoft stock.

**Account:** At your bank, you probably have an account where you keep your money. If you have **Investments**, the odds are that you have an account with a **stock** broker or another **investing**

house. Your investing account is where all your investments are. If we say your account is growing, we mean you're getting good **returns** on your investments.

**Returns:** When I talked about **investments**, I asked you to imagine **buying** a house for one thousand Euros and **selling** it for two thousand Euros. Sounds like a great deal, right? How much money do you make on that deal? Two thousand Euros? No, you only count the difference between what you paid and what you got: one thousand Euros. With this example, you have a return of one thousand Euros. Because your investment was a thousand Euros, some people would say you had a return of one hundred percent. It's hard enough to find investments with positive returns. It's even harder to find investments with really high returns.

**Sell:** If you give me five thousand Euros for my car, I sell you my car. To give something in exchange for money—or for something else—is to sell it. You can sell almost anything you can own: a house, a car, a boat, a school. And you can even sell some things that you can't *own*: I sell English lessons, but nobody *owns* English lessons!

**Buy:** I can only sell you my car for five thousand Euros if you want to give me five thousand Euros for the car. Or, I can only sell it if you want to buy it for five thousand Euros. To buy something is to give someone money in order to own something. Don't confuse buying with 'renting,' where you give someone money, but only get to *use* the object in question.

**Low:** Like 'up,' 'down,' 'left,' and 'right.' **High** and low are relative. A price is low when it's below—or less than—the normal price. If a liter of gasoline normally costs €1.50, then any price from one cent up to €1.49 is a low price. Of course, I've never seen a liter of gasoline for one cent! But sometimes it does cost €1.20 and we're happy to get it at a low price!

**High:** The opposite of a **low** price is a high price. When gasoline costs €1.70 we say the price is too high! It's easy to think that nobody likes high prices, but the people who make and sell gasoline must like them! A saying in the world of **investing** is to “**Buy low and sell high**.”

**Bond:** We talked about two different kinds of **investments** already: **stocks** and **funds**. Bonds are different from both of these. A bond is when a big organization—from a company to your city or country government—needs money today, they say “If you give me ten Euros today, I'll give you twelve Euros tomorrow.” Because that's a good example of “**Buy low sell high**,” many **investors** are ready to give them the ten Euros. What the organization **sells** is a bond. A bond is a kind of 'loan,' where you give money to someone today, for the promise of getting more money later.

**Tendency:** If I drop a book, it will fall to the ground. . . every single time. That's because gravity is a *law*: there are no exceptions. But the way I act doesn't have any *laws*: there's nothing I do one hundred percent of the time. But, I can tell you that *most* of the time, I'll walk into a book

store if I see one and I have the time. I have a tendency to visit book stores. Also, if I have a little extra money in my pocket, I have a tendency to spend it on whiskey. My wife has a tendency to spend her extra money on DVDs. A tendency is something like a weak law: it doesn't describe what always happens, it describes what often happens.

**Trend:** We talked about trends when talked about clothing and styles.<sup>1</sup> A trend can describe the direction that things are going: “the market has a positive trend at the moment” means that the market is going up. But a trend can be the newest fashion or 'fad:' “Real Estate is the latest trend in **investing**.”

**Planning:** A good English teacher will come into the classroom with an idea of what he is going to do. This 'idea' is a plan. And the time he spends making the plan is time spent planning. There is vacation planning, when you decide when and where to go on vacation, and retirement planning, when you make plans regarding your retirement. This week we'll be talking mainly about financial planning: planning that involves your money.

**Analyze:** Before you **buy a stock**, I think it's a good idea to look at all the facts concerning the company. How many customers do they have? What kind of industry are they in? Do you think their industry will be getting bigger in the future? Smaller? Does this company have an advantage over other companies in the industry? When you consider and weigh all of these facts—and many others, besides—you're analyzing the stock. To analyze is to think very critically about something.

**Goals:** This year, I want to be able to run 20 kilometers without a break—even if it's not fast. It's not something I can do now, and it's not something I can do tomorrow. But it's something I can do if I work a little bit every day, moving closer every week. It's a goal. Not all goals are sports, of course, some are personal: learning French<sup>2</sup> is another goal of mine. So is helping you learn English! And, if I want to retire as a millionaire, I guess that's a financial goal.

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1 <http://bite-sized-english.com/2009/02/09/talking-about-fashion/>

2 <http://bite-sized-english.com/2009/02/14/introducing-the-french-experiment/>