Investment Acronyms: Say What?! CNBC Slang Finally Decoded

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Popular sites such as Investopedia and The Financial Dictionary have over 1,885 financial acronyms housed in their shared glossaries. I would challenge you to find anyone — let alone a typical investor — list-off and define the most fundamental acronyms common to our industry.

In honor of April being Financial Literacy Month, we have compiled a guide to the terms you should know that we here at Beaumont Capital Management (BCM) use and converse in everyday conversation. Plus, our guide contains a Retirement specific list that will help demystify the confusing realm of retirement plans whether you are an advisor or an investor!

As a supplement to this Quick Guide to Investment Acronyms, educate yourself on important financial terms with our Glossary of Financial Terms.

General Investing & Wealth Management:

- **ACWI:** (All Country World Index) captures large and mid-cap representation across 23 Developed Markets and 24 Emerging Markets countries. With 2,495 constituents, the index covers approximately 85% of global investable equity.
- **BD**: (Broker Dealer), a person or firm in the business of buying and selling securities, operating as both a broker and a dealer, depending on the transaction.
- **CFA** (Chartered Financial Analyst), is the designation attained by a person who has successfully completed all three phases of the Chartered Financial Analyst program. To have the CFA designation, an individual must first have a bachelor's degree and three years of practical experience in the investment industry. The CFA designation focuses on developing professionals who can do financial analysis and manage large sums of money.
- **CFP**: (Certified Financial Planner™), is the designation awarded to individuals who successfully completed the Certified Financial Planner Board of Standards, Inc initial and ongoing requirements. The focus of CFP is to create professionals who can advise individuals on managing their personal portfolio and financial planning. CFP advise people on many areas, such as investment management, estate and retirement planning, tax planning, personal cash flows and insurance.
- **CPI** (Consumer Price Index): expresses the current prices of a basket of goods and services in terms of the prices during the same period in a previous year, to show effect of inflation on purchasing power.
- **DOW** (Dow Jones Industrial Average or DIJA), is a stock market index that shows how 30 large, significant publicly traded companies based in the United States have traded during a standard trading session in the stock market. When you read in the paper or hear on TV that "the markets are up today", often they are referring to the DOW and was created to serve as a proxy for the stock market as a whole.
- **ECB**: (European Central Bank), is the central bank for the euro and administers monetary policy of the eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world.
- **EFT**: (Electronic Funds Transfer), is the electronic transfer of money from one bank account to another, either within a single financial institution or across multiple institutions, via computer-based systems, without the direct intervention of bank staff. An everyday example of this is direct deposit.
- **ETF** (Exchange Traded Fund), is a basket of securities you buy or sell on a stock exchange. ETFs are offered on virtually all asset classes ranging from traditional investments to alternative assets like commodities or currencies. They are similar to a mutual fund in that it is a vehicle to invest pooled assets; but the wrapper is very different in that it trades on an exchange, has high daily liquidity and lower fees than a mutual fund.

- **FED**: (Federal Reserve), is the central bank of the United States. The Federal Reserve performs five general functions: conducting the nation's monetary policy, regulating banking institutions, monitoring and protecting the credit rights of consumers, maintaining the stability of the financial system, and providing financial services to the U.S. government. Most recently you would have read or heard about the Fed in regards to rising interest rates and unwinding of Quantitative Easing (QE).

- **FINRA**: (Financial Industry Regulatory Authority) is the single largest independent regulatory body for securities firms operating in the United States. FINRA primarily regulates BDs and RRs.

- **GDP:** (Gross Domestic Product), is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time. This is used as a measure to assess the growth of individual country's economies. This is used as a measure to assess the growth of individual country's economies.

- **GIPS®**: (Global Investing Performance Standards), are ethical standards to be used by investment managers for creating performance presentations that ensure fair representation and full disclosure of investment performance results. When evaluating an investment manager's performance, you can ask to see the "GIPS® presentations" which are prepared by an independent third party after verifying the performance. Many firms can claim compliance with GIPS but that does not mean they have been verified by a third party.

- **IAR**: (Investment Advisory Representative) is a professional who works for an RIA and provides advice to others about investments for a fee and are required by most states to become licensed to do so.

- **K-1**: is a tax document used to report the incomes, losses and dividends of a partnership.

- **LIBOR**: (London interbank offered rate), is a benchmark rate that some of the world's leading banks charge each other for short-term loans.

- **MLP**: (Master Limited Partnership) a limited partnership that is publicly traded, it combines the tax benefit of a limited partnership with the liquidity of publicly traded security.

- **NAV**: (Net Asset Value), is the value of a fund's asset less the value of its liabilities per unit. In other words, its the value per share of a mutual fund or ETF on a specific date or time and helps an investor determine if the fund is overvalued or undervalued. NAV differs from market price in that it does not include sales loads or fees.

- **NASDAQ** (National Association of Securities Dealers Automated Quotations): Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks.
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- **NYSE**: (New York Stock Exchange), is considered the largest equities-based exchange in the world based on total market capitalization of its listed securities.

- **OECD:** (Organization for Economic Cooperation and Development): is a group of member countries that discuss and develop economic and social policy. OECD members are democratic countries that support free market economies.

- **P/E:** (Price to Earnings Ratio), is a valuation ratio where a company's current share price is divided by its per-share earnings. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E.

- **PM**: (Portfolio Manager), is a person or group of people responsible for investing a mutual, exchange-traded or closed-end fund's assets, implementing its investment strategy and managing day-to-day portfolio trading.

- **PPI:** (Producer Price Index), focuses on the whole output of producers in the United States. This index is very broad, including not only the goods and services purchased by producers as inputs in their own operations or as investment, but also goods and services bought by consumers from retail sellers and directly from the producer.

- **QE** (Quantitative Easing): is when a central bank purchases government securities from the market in order to lower interest rates and increase the money supply. To simplify, QE in the U.S. involved the Fed buying trillions of U.S. Treasuries and Mortgage Backed Securities.

- **REIT:** (Real Estate Investment Trust), are companies that own or finance income-producing real estate in a range of property sectors such as office and apartment buildings, to hospitals. REITs are intended to allow individual, retail investors the opportunity to acquire ownership in commercial real estate, which they wouldn't otherwise have the means to do.

- **RIA:** (Registered Investment Advisor), is an advisor or firm engaged in the investment advisory business and registered either with the Securities and Exchange Commission (SEC) or state securities authorities.

- **RM**: (Relationship Manager), is a professional who works to improve a firm's relationships with both partner firms and customers.

- **ROE**: (Return on Equity), is the amount of net income returned as a percentage of shareholders equity.

- **ROI**: (Return on Investment), measures the gain or loss generated on an investment relative to the amount of money invested.

- **RR**: (Registered Representative) is a professional who works for a BD and provides advice to others about investments. RRs are compensated by commissions on products they sell to clients.

- **SEC**: (Securities and Exchange Commission), is the federal agency responsible for the oversight and enforcement of laws pertaining to the securities industry to help protect investors. The SEC primarily regulates RIAs and IARs although this agency oversees FINRA and the industry as a whole.

- **SMA**: (separately managed account) is a portfolio of individual securities managed on your behalf by a professional asset management firm.

- **S&P**: (Standard & Poors), is a financial market intelligence corporation. It provides credit ratings on bonds, countries and other investments. It calculates more than one million stock market indices. The most well-known is the S&P 500® Index.

- **UMA:** (unified managed account) is a professionally managed private investment account that can include multiple types of investments all in a single account. Unified managed accounts are often rebalanced on a specified schedule.

- **VIX®**: (CBOE Volatility Index), (The Chicago Board Options Exchange Volatility Index), is used by stock and options traders to gauge the market's "anxiety" or "fear" level. It is a mathematical measure of how much the market thinks the S&P 500 Index option, or SPX, will fluctuate over the next 12 months, based upon an analysis of the difference between current SPX put and call option prices.

- **W2**: (Form W-2) the form that an employer must send to an employee and the Internal Revenue Service (IRS) at the end of the year. The W-2 form reports an employee's annual wages and the amount of taxes withheld from their paycheck.

- **WTO**: (World Trade Organization) is the only international institution that oversees the global rules of trade between nations. The main function of the organization is to help producers of goods and services, exporters and importers protect and manage their businesses - without resulting to major violence or war.

Retirement:

- **3(21):** (3(21) investment advisor) is a co-fiduciary role. An advisor provides advice to an employer with respect to funds on a 401(k) investment menu, but the employer retains the discretion to accept or reject the advice.

- **3(38)**: (3(38) investment advisor) has the discretion to make fund decisions. The plan sponsor has less liability in this relationship, because they offload fiduciary risk for investments to the advisor.

- **3(16)**: (3(16) investment advisor) is the plan administrator with ERISA reporting and disclosure duties.

- **403(b)**: plan is a retirement plan for specific employees of public schools, tax-exempt organizations and certain ministers. These plans can invest in either annuities or mutual funds.
- **401(k)**: plan is a qualified employer-established plan to which eligible employees may make salary deferral (salary reduction) contributions on a post-tax and/or pretax basis.
- **CIF/CIT**: (Collective Investment Fund/ Collective Investment Trust) is an institutional investment vehicle sponsored by banks or trust companies that pool retirement plan assets into a single portfolio. This includes possible investments in a wide range of vehicles like mutual funds, Exchanged Traded Funds (ETFs) and asset classes like equities and fixed income.
- **DB**: (Defined Benefit), is a type of retirement plan that an employer sponsors, where employee benefits are computed using a formula that considers factors, such as length of employment and salary history.
- **DC**: (Defined Contribution), is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. A 401(k) plan is a defined contribution plan.
- **ERISA**: (Employee Retirement Income Security Act), Employee Retirement Income Security Act of 1974 (ERISA) protects the retirement assets of Americans by implementing rules that qualified plans must follow to ensure plan fiduciaries do not misuse plan assets.
- **IRA**: (Individual Retirement Account), An individual retirement account is an investing tool used by individuals to earn and earmark funds for retirement savings. There are several types of IRAs as such as Traditional IRAs, Roth IRAs, SIMPLE IRAs and SEP IRAs.
- **PSP**: (Profit Sharing Plan), is a plan that gives employees a share in the profits of a company.
- **QDIA**: (Qualified Default Investment Alternative), is a type of investment account that provides plan sponsors with a safe harbor from fiduciary liability for investment decisions made by participants in their 401k accounts.
- **TDF**: (Target Date Fund), an investment vehicle that is professionally managed using an asset allocation strategy that takes into consideration risk tolerance over time.
- **TPA**: (Third Party Administrator), is an organization that handles certain administrative responsibilities for other organizations. TPAs typically take on claims administration, loss control, risk management, and retirement plan administration.

For more insights like these, visit BCM's blog at blog.investbcm.com.

Disclosures:

Sources: Fidelity, Investopedia, Financial Dictionary, VIX, MSCI, DOL, ERISA

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