

# Personal Finance Definitions: Save, Invest, Spend, Donate

**Spend:** to pay out, trade money for goods or services, use money freely. Spending includes paying taxes, donating to charity, and spending on other wants and needs.

**Save:** to put by as a store or reserve (such as part of an allowance each week); to accumulate or put aside for a particular purpose or occasion (example: to purchase a portable listening device or save for a vacation trip in the short term (less than a year). This is often done by placing money to be saved in a low risk, low return savings account.

**Invest:** a subset or form of saving where money is put someplace with the hope and intention of making a financial gain in the longer term. Money invested is money you can "put away" and not miss on a day-to-day basis. Saving becomes investing when the resource (money, property, human labor and talent, gifts of nature) is directed to a place where it will increase in value. Investing may also refer to people or businesses spending money to buy capital resources (factories, equipment, etc.) or human resources (people skills and abilities) with the idea of improving productivity and financial wealth or profit.

When it comes to money invested, you can either "loan it" or "own it" If you "loan it" to others, it receives interest (additional money payments paid to you besides payment for the amount loaned out). Examples include checking, savings, and money market accounts, Certificates of deposit (CD's), U.S. Savings Bonds, Treasury bills, notes, and bonds, corporate and municipal bonds, etc.

Investments that are "owned" include common stocks in companies, stock mutual funds, real estate, commodities such as corn and pork bellies, and collectibles such gold, rare coins, etc. When you "own it", you exchange your money for something else with no promise that you will get your money back. To get your money back and more, you will hopefully sell it for more than you paid for it.

**Donate:** to voluntarily make a free gift or a grant of; contribute or give esp. to a charity or charitable cause (money for a soup kitchen or food pantry) or toward a public-service institution (someone donates land for a park). Donate is a subset of spend.

