

MONTHLY PAYMENTS REQUIRED

to save \$2,000 in 36 months	annual rate (compounded monthly)	to pay off a \$2,000 note in 36 months
\$55.56	0	\$55.56
50.84	6	60.84
46.43	12	66.43
42.30	18	72.30
38.47	24	78.47
31.90	30	84.90
31.61	36	91.61
28.57	42	98.57

The rate can be a "tailwind" or a "headwind" in effect—requiring less money "fuel" than the \$55.56 to accumulate \$2,000 at higher rates, or more money "fuel" to offset the resistance of higher rates.

When the rate is zero the same amount (\$55.56) is required. But at a rate of 24%, less than one-half as much need be saved monthly to accumulate \$2,000 as need be paid to satisfy a \$2,000 note in an equal amount of time. (It is interesting to note that the difference in amounts of payments into savings or on the note is \$10 times the multiples of the 6% rate. At 18% the difference is \$30; and at 42% the difference is \$70.)

GLOSSARY OF TERMS SUBMITTED BY PROF. RICHARD C. D. MORSE

Accommodation Co-maker: A person signing a note, evidencing a loan transaction, for the accommodation and benefit of a borrower, without sharing in the proceeds of the loan and without compensation, although primarily liable with the borrower for repayment.

Accounts Receivable: Accounts which are due to be paid either now or at some future time by debtors. Accounts outstanding.

Actuarial Method: (1) A method for computing a true rate of finance charge. For a unit time period the basic formula is the finance charge divided by the principal sum unpaid. This ratio is the same for each unit time period and for the total term from the contract date to maturity.

(2) Meets the conditions of the United States Rule.

"Add-on and Discount" Rates: Unless otherwise specified rates are for the contract period without regard to instalment payments and expressed as dollars per hundred or as percentages. Add-on is computed on and added to the original amount lent. Discount is computed on and deducted from the face amount of the note.

Amortization: A term used to signify the exact repayment of a part or all of the principal of a loan before maturity and interest charged during the period by periodic payments over the term of the loan.

Amortization Schedule: A table giving the periodical payments scheduled to reduce a debt to zero, showing for each payment the amount applied to principal, the amount applied to interest, and the balance of the principal due.

Annual Percentage Rate: The nominal annual rate determined by the actuarial method.

Annuity: A series of payments payable in the future usually of equal amount and including interest.

Balance: The principal amount outstanding on any account at a given time. That which is outstanding at time of contract date is the beginning balance; otherwise it means the unpaid balance.