

FIND YOUR LATTE FACTOR™ AND LEARN HOW COMPOUND INTEREST WORKS FOR YOU

Most of us don't really think about how we spend our money. If we do, we focus solely on the big items, while ignoring the small but steady expenses that drain away our cash. We don't think about what it costs us to earn our money, and we don't realize how much wealth we could have if, instead of wasting our income, we invested it.

By understanding the Latte Factor, you can change all that. The Latte Factor helps you to understand how small amounts of money, spent daily, can add up to a fortune spent over your lifetime, and how you can live a life of abundance by saving just a little money at a time from each paycheck, no matter how small your paycheck may be.

The Latte Factor is a concept that represents the amount that people spend every day on items such as a double nonfat latte, cigarettes, soft drinks, and candy bars, which they could instead save and invest for their future. If you purchased a \$3.50 latte every day for a year, for example, you'd spend \$1,260; over a decade, \$12,600. If you invested that money at 10 percent over 10 years, you would wind up with \$21,870.

You may wonder what good it will do to put aside a small fraction of your income, especially if your income isn't very

large to begin with. But even if you earn what seems to you a modest salary, the amount of money that will pass through your hands during your lifetime is truly phenomenal. If you earn only \$1,000 a month, for example, you will have made a total of \$360,000 over the course of 30 years. If you earn \$4,000 a month, you'll make more than \$1.4 million over 30 years.

So, even though you may not receive much in each paycheck, you'll accumulate a substantial amount over time. And the sooner you start saving some of it, the less you'll need to put away. That's because of the magic of compound interest.

Albert Einstein called compound interest "the greatest mathematical discovery of all time." That's because compound interest helps you earn money not only on your own hard-earned savings, but also on the interest that your savings accumulate. In the first year, for example, you earn interest on your initial investment. The next year, you earn interest not only on your investment, but also on the interest that you've already earned.

Compound interest has all sorts of implications for saving money. For one thing, it favors people who start saving at an early age. If you start at the age of 25 to save \$100 a month, and it earns interest at a rate of 4 percent, you'll accumulate \$118,590 by the time you turn 65. If you wait till you're 40, you'll accumulate only \$51,584.

Or let's say you invest \$2,000 a year at the age of 14, at a 10 percent annual rate of return, and you set aside the same amount at the same return for the next four years. In other words, you put aside a total of \$10,000 over five years, beginning when you're 14 and stopping when you're 18. If you don't invest another penny and your money keeps growing at the same rate of interest, you'll have almost \$1.2 million by the time you're 65. By comparison, if you wait till you're 27 years old to start investing \$2,000 a year, and you invest that amount every year at a 10 percent annual return for the next 38 years, when you turn 65, you'll have only \$883,000. So start saving money as soon as you can.

Think about what you bought today that you could do

without tomorrow and start saving a few dollars. It might be something that you're in the habit of buying every day, like two double nonfat lattes and a couple of nonfat muffins. If you cut these out of your daily spending tomorrow, how much money would you save a day? How much would it save you a month? This is your personal Latte Factor, and it can quickly add up to a lot of money.

Even if you're older and you weren't fortunate enough to start saving when you were in your 20s or 30s, don't worry. The miracle of compound interest does not depend on how old you are. The only thing that matters is how long your money has been invested and at what rate it is growing.

Remember—the combined power of the Latte Factor and the miracle of compound interest is truly amazing. The only thing that can short-circuit it is the all-too-human tendency to procrastinate. Too many people put off doing what they know they should, and as a result, these two powerful tools never get the chance to work for them. Don't make this mistake.

E

early retirement /'ɜrlē ri'tɪrmənt/ ► **n.** the practice of leaving employment before the statutory age, esp. on favorable financial terms.

earn /ɜrn/ ► **v.** [trans.] (of a person) obtain (money) in return for labor or services: *they earn \$35 per hour* | *he now **earns his living** as a truck driver.*

■ (of capital invested) gain (money) as interest or profit.

ORIGIN Old English *earnian*, of West Germanic origin, from a base shared by Old English *esne* 'laborer.'

earned income /'ɜrnd 'in,kəm/ ► **n.** money derived from paid work.

earnings per share /'ɜrnɪŋz pər 'ʃhe(ə)r/ ► a company's after-tax profit, minus payments to preferred shareholders and bondholders, divided by the total number of outstanding shares.

ease /ēz/ ► **v.** [intrans.] (of share prices, interest rates, etc.) decrease in value or amount: *these shares should be bought and tucked away for when interest rates ease.*

ORIGIN Middle English: from Old French *aise*, based on Latin *adjacens* 'lying close by,' present participle of *adjacere*. The verb is originally from Old French *aisier*, from the phrase *a aise* 'at ease'; in later use from the noun.

easy money /'ēzē 'mənē/ ► **n.** money available at relatively low interest.

EC ► **abbr.** European Community.

e-cash /'ē ,kæʃ/ ► **n.** electronic cash; money that may be transferred electronically from one party to another during a transaction. Also called **DIGITAL CASH**.

econometrics /i,känə'metriks/ ► **plural n.** [treated as sing.] the

branch of economics concerned with the use of mathematical methods (esp. statistics) in describing economic systems.

DERIVATIVES **e•con•o•met•ric** adj.; **e•con•o•me•tri•cian** n.; **e•con•o•met•rist** n.

ORIGIN 1930s: from **ECONOMY**, on the pattern of words such as *biometrics* and *cliometrics*.

e•con•o•m•ic /,ɛkə'nämik; ɪ̯ɛkə-/ ► adj. of or relating to economics or the economy: *the government's economic policy* | *pest species of great economic importance*.

■ justified in terms of profitability: *many organizations must become larger if they are to remain economic*. ■ requiring fewer resources or costing less money: *solar power may provide a more economic solution*. ■ (of a subject) considered in relation to trade, industry, and the creation of wealth: *economic history*.

ORIGIN late Middle English: via Old French and Latin from Greek *oikonomikos*, from *oikonomia* (see **ECONOMY**). Originally a noun, the word denoted household management or a person skilled in this, hence the early sense of the adjective (late 16th cent.) 'relating to household management.' Modern senses date from the mid 19th cent.

USAGE: **Economic** means 'concerning economics': *he's rebuilding a solid economic base for the country's future*. **Economical** is commonly used to mean 'thrifty, avoiding waste': *small cars should be inexpensive to buy and economical to run*.

e•con•o•m•i•cal /,ɛkə'nämikəl; ɪ̯ɛkə-/ ► adj. giving good value or service in relation to the amount of money, time, or effort spent: *a small, economical car*. ■ (of a person or lifestyle) careful not to waste money or resources. ■ using no more of something than is necessary.

USAGE: See **usage** at **ECONOMIC**.

e•con•o•m•i•cal•ly /,ɛkə'nämik(ə)lɪ; ɪ̯ɛkə-/ ► adv. **1** in a way that relates to economics or finance: *the region is important economically*. **2** in a way that involves careful use of money or resources: *the new building was erected as economically as possible*.

e•con•o•m•ic **good** /'ɛkə'nämik 'gʊd; 'ɛkə'nämik/ ► n. a product or

service that can command a price when sold: *water is an economic good and should be treated as such.*

e•con•om•ics /ˌɛkəˈnämiks; ˌɛkə-/ ► **plural n.** [often treated as sing.] the branch of knowledge concerned with the production, consumption, and transfer of wealth.

■ the condition of a region or group as regards material prosperity: *he is responsible for the island's modest economics.*

ORIGIN late 16th cent. (denoting the science of household management): from **ECONOMIC** + the plural suffix *-s*, originally on the pattern of Greek *ta oikonomika* (plural), the name of a treatise by Aristotle. Current senses date from the late 18th cent.

e•con•om•ist /iˈkänəmist/ ► **n.** an expert in economics.

ORIGIN late 16th cent. (originally in the Greek sense): from Greek *oikonomos* 'household manager' (see **ECONOMY**) + *-ist*. The current sense dates from the early 19th cent.

e•con•om•y /iˈkänəmə/ ► **n.** (pl. **e•con•om•ies**) the wealth and resources of a country or region, esp. in terms of the production and consumption of goods and services.

■ a particular system or stage of an economy: *a free-market economy | the less-developed economies.*

► **adj.** (of a product) offering the best value for the money: [in comb.] *an economy pack.*

■ designed to be economical to use: *an economy car.*

PHRASES **economy of scale** a proportionate saving in costs gained by an increased level of production. **economy of scope** a proportionate saving gained by producing two or more distinct goods, when the cost of doing so is less than that of producing each separately.

ORIGIN late 15th cent. (in the sense 'management of material resources'): from French *économie*, or via Latin from Greek *oikonomia* 'household management,' based on *oikos* 'house' + *nemein* 'manage.'

EDC ► **abbr.** Canadian Export Development Corporation.

EEC ► **abbr.** European Economic Community.

ef•fec•tive /iˈfektiv/ ► **adj.** assessed according to actual rather than face value: *an effective price of \$176 million.*

ORIGIN late Middle English: from Latin *effectivus*, from *efficere* ‘work out, accomplish,’ from *ex-* ‘out, thoroughly’ + *facere* ‘do, make.’

ef•fec•tive de•mand /i'fektiv di'mænd/ ▶ **n.** the level of demand that represents a real intention to purchase by people with the means to pay.

EFTPOS ▶ **abbr.** electronic funds transfer at point of sale (used to describe retail outlets that record information electronically).

EI ▶ **abbr.** Canadian employment insurance.

e•las•tic /i'læstik/ ▶ **adj.** (of demand or supply) sensitive to changes in price or income: *the labor supply is very elastic.*

ORIGIN mid 17th cent. (originally describing a gas in the sense ‘expanding spontaneously to fill the available space’): from modern Latin *elasticus*, from Greek *elastikos* ‘propulsive,’ from *elaunein* ‘to drive.’

em•bar•go /em'bärgō/ ▶ **n.** (pl. **em•bar•goes**) an official ban on trade or other commercial activity with a particular country: *an embargo on grain sales | the oil embargo of 1973.*

▶ **v.** (**em•bar•goes**, **em•bar•goed**) [**trans.**] (usu. **be embargoed**) impose an official ban on (trade or a country or commodity): *the country has been virtually embargoed by most of the noncommunist world.*

ORIGIN early 17th cent.: from Spanish, from *embargar* ‘arrest,’ based on Latin *in-* ‘in, within’ + *barra* ‘a bar.’

em•ol•u•ment /i'mäl'yəmənt/ ▶ **n.** (usu. **emoluments**) formal a salary, fee, or profit from employment or office: *the directors' emoluments.*

ORIGIN late Middle English: from Latin *emolumentum*, originally probably ‘payment to a miller for grinding grain,’ from *emolere* ‘grind up,’ from *e-* (variant of *ex-*) ‘out, thoroughly’ + *molere* ‘grind.’

em•plov•ment in•sur•ance /em'ploimənt in,SHÖÖrəns/ (**abbr.:** **EI**) ▶ **n.** Canadian a federal government program providing payments to eligible unemployed people, funded by tax revenues and contributions by employers and workers.

USAGE: **Employment insurance** was formerly called unemployment insurance.

EMU ▶ **abbr.** European Monetary Union.

en•dorse /en'dɔrs/ ▶ **v.** [trans.] sign (a check or bill of exchange) on the back to make it payable to someone other than the stated payee or to accept responsibility for paying it.

DERIVATIVES **en•dors•er** **n.**

ORIGIN late 15th cent. (in the sense 'write on the back of'; formerly also as *indorse*): from medieval Latin *indorsare*, from Latin *in-* 'in, on' + *dorsum* 'back.'

en•dorse•ment /en'dɔrsmənt/ ▶ **n.** **1** a clause in an insurance policy detailing an exemption from or change in coverage.

2 the action of endorsing a check or bill of exchange.

en•dow•ment /en'dəʊmənt/ ▶ **n.** an income or form of property given or bequeathed to someone.

■ [usu. as adj.] a form of life insurance involving payment of a fixed sum to the insured person on a specified date, or to their estate should they die before this date: *an endowment policy*.

end us•er /'end ,yʊðzər/ (also **end-us•er**) ▶ **n.** the person who actually uses a particular product.

en•ter•prise zone /'entər,prɪz ,zɔn/ ▶ **n.** an impoverished area in which incentives such as tax concessions are offered to encourage business investment and provide jobs for the residents.

en•tre•pre•neur /,ɛntrəprɛ'nɔː; -'nər/ ▶ **n.** a person who starts, organizes, and operates a business or businesses, taking on greater than normal financial risks in order to do so.

ORIGIN early 19th cent. (denoting the director of a musical institution): from French, from *entreprendre* 'undertake,' based on Latin *prendere*, *prehendere* 'to take.'

en•try•lev•el /'entrē ,levəl/ ▶ **adj.** at the lowest level in an employment hierarchy: *he was hired as an entry-level research assistant*.

EPOS ▶ **abbr.** electronic point of sale (used to describe retail outlets that record information electronically).

eps ▶ **abbr.** short for **EARNINGS PER SHARE**.

e•qui•lib•ri•um /,ɛkwə'librēəm; ,ɛkwə-/ ▶ **n.** a situation in which supply and demand are matched and prices stable: *certain consumer goods remain in equilibrium*.

ORIGIN early 17th cent. (in the sense 'well-balanced state of

mind’): from Latin *aequilibrium*, from *aequi-* ‘equal’+ *libra* ‘balance.’

equity /'ekwɪtē/ ▶ n. (pl. **equities**) **1** the value of the shares issued by a company: *he owns 62 percent of the group’s equity.*

■ (**equities**) stocks and shares that carry no fixed interest.

2 the value of a mortgaged property after deduction of charges against it.

ORIGIN Middle English: from Old French *équité*, from Latin *aequitas*, from *aequus* ‘equal.’

escalator clause /'eskə,lətər ,klôz/ ▶ n. a clause in a contract that allows for an increase or a decrease in wages or prices under certain conditions.

escrow /'eskrō/ ▶ n. a bond, deed, or other document kept in the custody of a third party, taking effect only when a specified condition has been fulfilled.

■ [usu. as adj.] a deposit or fund held in trust or as a security: *an escrow account.* ■ the state of being kept in custody or trust in this way: *the board holds funds in escrow.*

▶ v. [trans.] place in custody or trust in this way.

ORIGIN late 16th cent.: from Old French *escroe* ‘scrap, scroll,’ from medieval Latin *scroda*, of Germanic origin; related to *shred*.

estate tax /i'stāt ,tæks/ ▶ n. a tax levied on the net value of the estate of a deceased person before distribution to the heirs.

EU ▶ abbr. European Union.

euro /'yūrō; 'yər-/ ▶ n. (also **Euro**) the single European currency introduced into some of the European Union countries in 1999 as an alternative currency in noncash transactions, replacing national currencies in 2002.

ORIGIN independent usage of *euro*.

Eurobond /'yūrō,bänd; 'yər-/ ▶ n. an international bond issued in Europe or elsewhere outside the country in whose currency its value is stated (usually the US or Japan).

Eurocheque /'yūrō,ʃek; 'yər-/ ▶ n. a check issued under an arrangement between European banks that enables account holders from one country to use their checks in another.

Eurocurrency /'yūrō,kərənsē; 'yər-/ ▶ n. (pl. **Eurocurrencies**)

cies 1 a form of money held or traded outside the country in whose currency its value is stated (originally US dollars held in Europe).

2 [in sing.] a single currency for use by the member states of the European Union.

Eu•ro•dol•lar /'yʊrɔ̃,dälär; 'yər-/ ▶ **n.** a US dollar deposit held in Europe or elsewhere outside the US.

Eu•ro•mar•ket /'yʊrɔ̃,märkit; 'yər-/ ▶ **n.** 1 a financial market that deals with Eurocurrencies.

2 the European Union regarded as a single commercial or financial market.

Eu•ro•pe•an Com•mu•ni•ty /,yʊrə'pɛən kə'myʊniːtē; ,yər-/ (abbr.: **EC**) ▶ **n.** an economic and political association of certain European countries, incorporated since 1993 in the European Union.

Eu•ro•pe•an Ec•o•nom•ic Com•mu•ni•ty /,yʊrə'pɛən ,ekə'nämik kə'myʊniːtē; ,ɛkə'nämik; ,yərə'pɛən/ (abbr.: **EEC**) ▶ **n.** an institution of the European Union, an economic association of western European countries set up by the Treaty of Rome (1957). The original members were France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg.

Eu•ro•pe•an Union /'yʊrə'pɛən 'yʊɒnyən; 'yər-/ (abbr.: **EU**) ▶ **n.** an economic and political association of certain European countries as a unit with internal free trade and common external tariffs.

USAGE: The European Union was created on November 1, 1993, with the coming into force of the Maastricht Treaty. It encompasses the old European Community (EC) together with two inter-governmental 'pillars' for dealing with foreign affairs and with immigration and justice.

ex /eks/ ▶ **prep.** 1 (of goods) sold direct from: *carpet tiles offered at a special price, ex stock.*

2 without; excluding: *the discount and market price are ex dividend.*

ORIGIN mid 19th cent.: from Latin, 'out of.'

ex ante /'eks 'æntē/ ▶ **adj.** & **adv.** based on forecasts rather than actual results: *this is an ex ante estimate of the variance.*

ORIGIN modern Latin, from Latin *ex* 'from, out of' + *ante* 'before.'

ex•change /iks'CHānj/ ▶ **n. 1** the giving of money for its equivalent in the money of another country.

■ the fee or percentage charged for converting the currency of one country into that of another. ■ a system or market in which commercial transactions involving currency, shares, commodities, etc., can be carried out within or between countries.

2 a building or institution used for the trading of a particular commodity or commodities: *the New York Stock Exchange*.

ORIGIN late Middle English: from Old French *eschange* (noun), *eschangier* (verb), based on *changer* 'to change,' based on late Latin *cambiare*, from Latin *cambire* 'barter,' prob. of Celtic origin. The spelling was influenced by Latin *ex-* 'out, utterly.'

ex•change control /iks'CHānj kən, trōl/ ▶ **n.** a governmental restriction on the movement of currency between countries.

ex•change rate /iks'CHānj ,rāt/ (also **rate of ex•change**) ▶ **n.** the value of one currency for the purpose of conversion to another.

ex•cise /'ek,sīz/ ▶ **n.** [usu. as adj.] a tax levied on certain goods and commodities produced or sold within a country and on licenses granted for certain activities: *excise taxes on cigarettes*.

ORIGIN late 15th cent. (in the general sense 'a tax or toll'): from Middle Dutch *excijis*, *accijis*, perhaps based on Latin *accensare* 'to tax,' from *ad-* 'to' + *census* 'tax,' from *censere* 'assess.'

ex•clu•sive ec•o•nom•ic zone /ik'sklōsiv ,ekə'nämik ,zōn; ,ēkə 'nämik/ ▶ **n.** an area of coastal water and seabed within a certain distance of a country's coastline, to which the country claims exclusive rights for fishing, drilling, and other economic activities.

ex div. ▶ **abbr.** ex dividend.

ex div•i•dend /,eks 'divi,dend/ (**abbr.:** **ex div., xd**) ▶ **adj. & adv.** (of stocks or shares) not including the next dividend.

ex•ec /eg'zek/ ▶ **n.** informal an executive: *top execs*.

ORIGIN late 19th cent.: abbreviation for **EXECUTIVE**.

ex•ec•u•tive /ig'zekyətiv; eg-/ ▶ **n.** a person with senior managerial responsibility in a business organization.

■ an executive committee or other body within an organization: *the union executive*.

ORIGIN late Middle English (as an adjective): from medieval Latin

executivus, from *exsequi* ‘carry out, punish, follow up,’ from *ex-* ‘out’ + *sequi* ‘follow.’

ex•emp•tion /ɪgˈzɛm(p)ʃən/ (also **per•son•al ex•emp•tion**) ▶ **n.** a direct reduction from gross income, set by the Internal Revenue Service.

ORIGIN late Middle English: from Old French, or from Latin *exemptio(n-)*, from *eximere* ‘take out, free.’

ex•er•cise price /ˈɛksərˌsɪz ˌprɪs/ ▶ **n.** the price per share at which the owner of a traded option is entitled to buy or sell the underlying security.

ex•pense /ɪkˈspɛns/ ▶ **n.** the cost required for something; the money spent on something: *we had ordered suits at great expense* | *the committee does not expect members to be put to any expense.*

■ (**expenses**) the costs incurred in the performance of one’s job or a specific task, esp. one undertaken for another person: *his hotel and travel expenses.*

▶ **v.** (usu. **be expensed**) offset (an item of expenditure) as an expense against taxable income.

ORIGIN late Middle English: from Anglo-Norman French, alteration of Old French *espense*, from late Latin *expensa (pecunia)* ‘(money) spent,’ from Latin *expendere* ‘pay out,’ from *ex-* ‘out’ + *pendere* ‘weigh, pay.’

ex•pense ac•count /ɪkˈspɛns əˌkəʊnt/ ▶ **n.** an arrangement under which sums of money spent in the course of business by an employee are later reimbursed by their employer.

ex•pi•ra•tion /ˌɛkspəˈræʃən/ ▶ **n.** the ending of the fixed period for which a contract is valid: *the expiration of the lease.*

ORIGIN late Middle English (denoting a vapor or exhalation): from Latin *expiratio(n-)*, from the verb *expirare* ‘breathe out,’ from *ex-* ‘out’ and *spirare* ‘breathe.’

ex•port ▶ **v.** /ɪkˈspɔːrt; ˈɛkspɔːrt/ [trans.] send (goods or services) to another country for sale: *we exported \$16 million worth of mussels to Japan.*

▶ **n.** /ˌɛkspɔːrt/ (usu. **exports**) a commodity, article, or service sold abroad: *wool and mohair were the principal exports.*

■ (**exports**) sales of goods or services to other countries, or the

revenue from such sales: *meat exports*. ■ the selling and sending out of goods or services to other countries: *the export of Western technology*. ■ [as adj.] of a high standard suitable for export: *high-grade export coal*.

ORIGIN late 15th cent.: from Latin *exportare*, from *ex-* ‘out’ + *portare* ‘carry.’

ex•port sur•plus /ˈɛkspɔrt ˌsɜrpləs/ ► **n.** the amount by which the value of a country’s exports exceeds that of its imports.

ex post /ˌɛks ˈpɔst/ ► **adj.** & **adv.** based on actual results rather than forecasts: [as adj.] *the ex post trade balance*. | [as adv.] *the real-wage rate has fallen ex post*.

ORIGIN modern Latin, from *ex* ‘from’ and *post* ‘after.’

ex•po•sure /ɪkˈspɔʒhər/ ► **n.** the action of placing oneself at risk of financial losses, e.g., through making loans, granting credit, or underwriting insurance.

ORIGIN early 17th cent.: from *expose*, on the pattern of words such as *enclosure*.

ex•ter•nal•ity /ˌɛkstərˈnælɪtē/ ► **n.** (pl. **ex•ter•nal•ities**) a side effect or consequence of an industrial or commercial activity that affects other parties without this being reflected in the cost of the goods or services involved, such as the pollination of surrounding crops by bees kept for honey.

ex•tin•tion /ɪkˈstɪŋ(k)ʃən/ ► **n.** the wiping out of a debt.

ORIGIN late Middle English: from Latin *extinctio(n-)*, from *extinguere* ‘quench’ (see **EXTINGUISH**).

ex•tin•guish /ɪkˈstɪŋgwɪʃ/ ► **v.** [trans.] (often **be extinguished**) cancel (a debt) by full payment: *the debt was absolutely extinguished*.

ORIGIN mid 16th cent.: from Latin *extinguere*, from *ex-* ‘out’ + *stinguere* ‘quench.’

ex•traor•di•nary /ɪkˈstrɔrdn,erē; ˌɛkstrəˈɔrdn-/ ► **n.** (pl. **ex traor•di•nar•ies**) (usu. **extraordinaries**) an item in a company’s accounts not arising from its normal activities.

ORIGIN late Middle English: from Latin *extraordinarius*, from *extra ordinem* ‘outside the normal course of events.’