

**WORKSHEET:
CAN YOU AFFORD YOUR DREAMS?**

If you don't know, you need help. Robert Ortalda, a Redwood City accountant and author of Income/Outcome Newsletter on financial planning in the 1980s, has devised the following test. It's an eight-step program to help people get control of their desires and their finances by learning how much spending power they really have. Take Ortalda's test to discover your financial power, the money you could use to make your dreams really happen.

1. WISH LIST: Add up the expenses you dream of meeting this year-the vacation you'd like to take, the wedding reception you'll throw for your daughter, the piano you'd like to buy. Make sure you also include provisions for your distant future, such as the amount you will set aside this year for retirement or your children's college educations. This is a list of your financial goals in 1987.

Paying off credit cards:
Vacation:
Retirement:
College funds:
Major purchases:
Other expenses:
TOTAL

2. WHERE YOU STAND: Draw up a balance sheet of all your assets and liabilities on March 1, 1987:

ASSETS:

Cash and everything you could convert to cash, such as checking, savings, money-market funds:
Stocks and bonds:
Investments like rental property, partnerships:
Market value of home:
Personal possessions (value-after depreciation-of automobiles, furniture, jewelry, etc.):
Retirement funds: IRAs, Keoghs, etc.:

TOTAL ASSETS:

LIABILITIES:

Credit card balances:
Installment loans, secured debt (student loans, car loans, etc.):
Mortgages:
Other debt:
Property tax:
Other tax liability:

TOTAL LIABILITIES:

ASSETS - LIABILITIES = CURRENT NET WORTH

3. WHERE YOU STOOD: Find your net worth from one year ago, as best you can. This time you're totaling all your assets and liabilities as they existed on March 1, 1986.

1986 ASSETS:

Cash and everything you could convert to cash, such as checking, savings, money-market funds:

Stocks and bonds:

Investments like rental property, partnerships:

Market value of home:

Personal possessions (automobiles, furniture, jewelry, etc.):

Retirement funds: IRAs, Keoghs, etc.:

TOTAL ASSETS:

1986 LIABILITIES:

Credit card balances:

Installment loans, secured debt (student loans, car loans, etc.):

Mortgages:

Other debt:

Other tax liability:

TOTAL LIABILITIES:

1986 ASSETS - 1986 LIABILITIES = 1986 NET WORTH:

4. WHAT HAPPENED: Find the difference between your net worth in 1986 and your net worth today. That increase in your wealth is composed of both savings and capital gains on your investments and house.

Your 1987 NET WORTH - your 1986 NET WORTH = CHANGE IN WEALTH:

5. ADJUSTMENT 1: Subtract from this figure the appreciation on your house from last March until now. Because you are not really cashing that appreciation in, it won't add to your ability to buy things this year.
NEW TOTAL:

6. ADJUSTMENT 2: Add in any extravagant, unusual or extraordinary expenses from 1986 that you won't have to repeat this year. These are one-time expenses such as last year's vacation, losses from a theft, your son's trip to the emergency room, etc.
NEW TOTAL:

7. ADJUSTMENT 3: Factor in any long-term changes in your income that you expect in 1987. For example, add to your wealth any foreseen pay raise or an inheritance and subtract an unpaid leave from work. If you have unusual one-time expenses coming up in this year, such as moving expenses, subtract them.

The figure that remains is your FINANCIAL POWER for 1987:

8. Compare your FINANCIAL POWER, your amount of real hidden "savings," with your financial goals, the WISH LIST of Step 1.

Probably your dreams far exceed your ability to pay for them. That's good. Now you can choose the most important ones, discover why you value them most, and then, this year, make the most important ones really happen.