

Connected Financial Planning System





Financial Planning System

Everything you need to access your models and start using them

Getting started

Follow the steps below and create your copies of the models. In addition to the high-level guidelines below, there are more instructions contained within each model. Be sure to read those as they are critical to creating the connected financial planning system.

Step 1: Copy the models

The financial planning system includes a total of six separate models. After clicking each of the links below, you'll be prompted to make a copy.

- | | | |
|--------------------------------------|--|----------------------------|
| 1. Operating Model | 3. Customer Operations | 5. G&A |
| 2. Corporate Finance | 4. S&M | 6. R&D |

Step 2: Connect all your models

Within each model, you'll find an "Instructions" tab. Be sure to complete all steps on this tab as it is crucial to accurately connect all your models.

Step 3: Test out the connected models

Once you've successfully connected all your models, we highly recommend the following:

- Go into each department-level model (*S&M, G&A, R&D, Customer Operations*) and add test purchases and hires on the **Purchase** and **Hire** tabs. Then, navigate back to your Operating Model and ensure those test purchases and hires are being pulled in from the department-level models.
- Go into your Corporate Finance Model and adjust your top-down assumptions. Then, navigate back to the (1) Operating Model and ensure your top-down budget has updated

accordingly, and (2) Department-level models to ensure each department's budget has updated accordingly.

Step 4: Distribute your models to budget owners

Once you've connected your models, tested the connection and ensured all forecasts and budgets are being properly rolled up in the Operating Model, you're ready to distribute the department-level models to your team.

Additional Comments

Please note that this Connected Financial Planning System does not incorporate ERP, CRM or HR data due to varying export formats from these systems. This template focuses primarily on forward-looking planning and budgeting but can easily be updated with your historical data.

If your team would like to incorporate actuals into the Financial Planning System, we highly recommend creating and connecting one additional stand-alone model that is home to your accounting, HR and CRM data to incorporate the Budget v. Actual aspect within your Financial Planning System. Simply use the IMPORTRANGE function within Google Sheets to send actuals data to the existing models within your system. See more guidance [here](#).

For questions, comments or concerns relating to your Connected Financial Planning System, email financeace@tracehq.com.



Financial Planning System

Understanding the architecture of a Connected Financial Planning System

Understanding the components

Building a financial planning system starts with setting up your **(1)** data models that provide the foundation for the system. Next, you set up your **(2)** Long-Range Plan to do strategic planning and set guardrails for your financial planning. Then, you give your targets to budget-owners with **(3)** department models. Lastly, you roll everything up in the **(4)** Operating Model which serves as the source of truth.

- 1) **Data Management Models:** These models are home to crucial data that is fundamental to the financial planning system, and include:
 - **Financial Reporting Data:** Actuals from an ERP or accounting system. This data is used to calculate a Budget v. Actual to measure budget owner performance.
 - **HR Data:** Payroll information used to forecast payroll expenses. By providing your financial planning system with this data, it eliminates the need to manually enter current headcount information.
 - **CRM Data:** Customer and sales information to allow the sales and revenue forecast to start with the most accurate starting point.
 - **Metadata:** All other necessary information, such as general ledger accounts and departments.
- 2) **Corporate Finance Model:** This model serves two primary functions. First, this is where The Long-Range Plan (or “LRP”) is forecasted for 3-5 years using high-level assumptions that are typically growth or margin focused. After the LRP is set, the Finance team asks budget owners to forecast expense and revenue for a much shorter period (called the “Bottoms-up” period). The top-down plan created in the Corporate Finance Model serves as guardrails for budget owners to control spending.
- 3) **Department Models:** Each department (or operating function, such as Customer Operations, S&M, G&A, R&D) has its own, personalized financial model. Once a bottoms-up period is defined by the Finance team in the Corporate Finance Model,

budget owners input their forecasted hiring and spending into their models within the parameters set by the top-down budget. After forecasts are created, budget owners can then compare their forecasted spend relative to their respective budgets set by the top-down budget. In summary, department models allow budget owners to:

- Compare forecasted spend to their budget set by the top-down plan.
- Input forecasted spending by type (software, professional services, etc.).
- Input forecasted hiring and corresponding incremental payroll costs.
- Measure their actual performance relative to their forecast for a given period to identify performance gaps.

4) **Operating Model:** This model serves as the source of truth for the entire finance function of your business. In summary:

- It aggregates all department-level expense and revenue forecasts from the department levels for the bottoms-up period;
- Pulls in the top-down expense and revenue forecasts from the Corporate Finance Model for the long-range period;
- Updates all forecasts with actuals from the Financial Reporting Model as time passes, and;
- Pulls in archived financial plans that were presented to the Board of Directors, allowing the user to compare previous plans with current plans and actual performance.

Get more good stuff

Find more finance tools, resources, and templates on the [Tracehq.com resource library](https://tracehq.com).

About Trace

Trace, the first service desk for finance, provides collaborative workflows and analytics for companies to better manage financial services like budgeting, spending, and hiring. High-growth companies like Fivetran and Lattice trust Trace as their one-stop-shop for collaborating with business partners on the financial decisions that matter most to the health of the business. When teams work better with finance, finance works better for teams. See how at tracehq.com.