



The 2025 Financial Planning Blueprint

A guide to building your annual plan (and keeping it fresh)

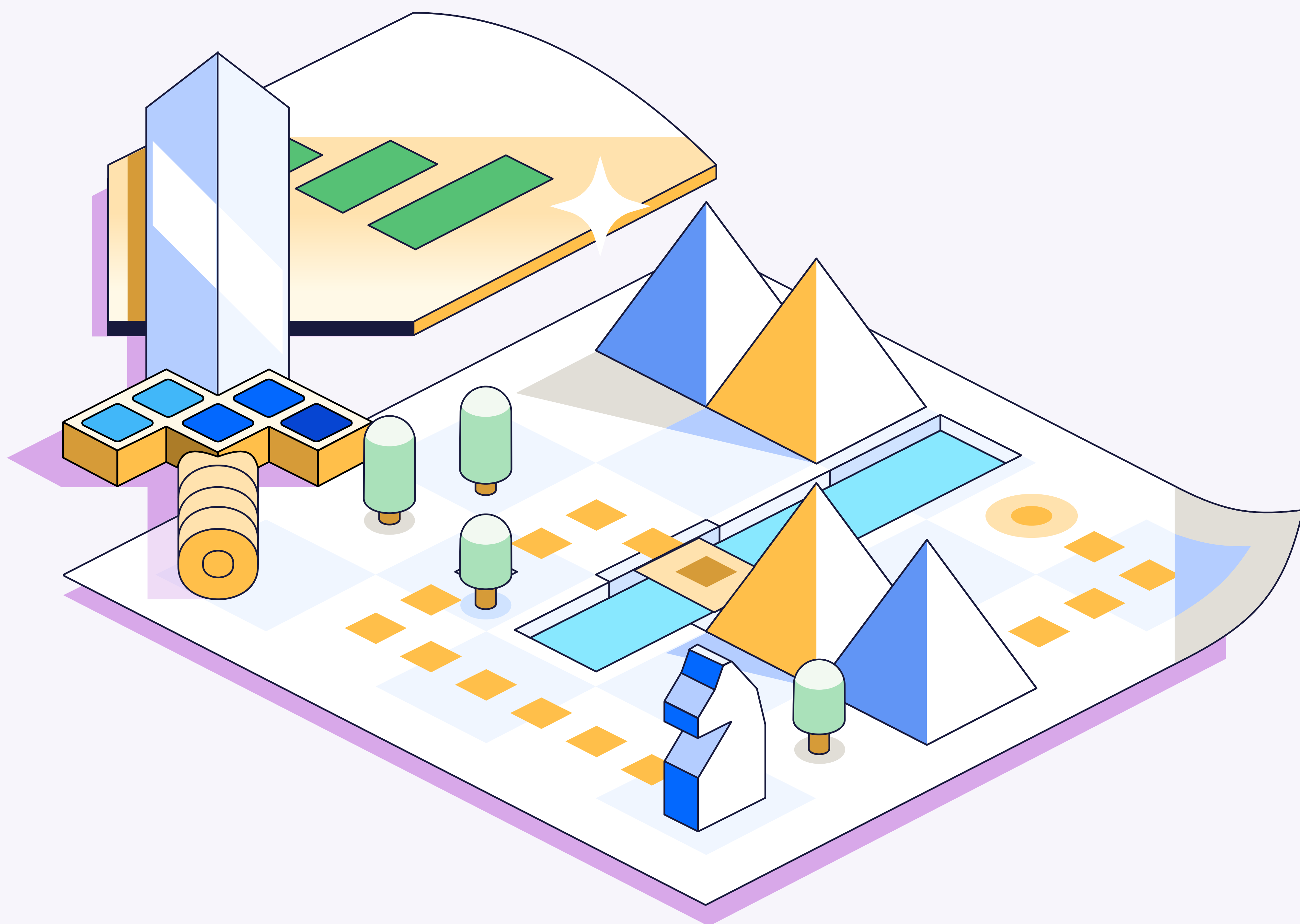


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Eight Reasons the 2025 Planning Season Is Different

A market slowdown, elevated interest rates, and tougher access to capital mean companies big and small are turning to their finance teams to navigate turbulent financial waters.

These conditions will force you to rethink long-standing planning techniques and practices as you get ready for and move through 2025.

While the bones of your annual planning process should be the same as years past, there are eight reasons this planning season will be different that you'll need to address along the way.

1. Balancing growth and profitability

The days of “grow at all costs” and “easily raise more money when you need it” are gone, and that means you need a sharper and more disciplined focus on profitability and cash flow. If you get it wrong and over-extend your company's finances, you might not get a second chance to get back on track. Profitability analysis by market, product line, channel, and project will be front and center this year. This is the foundation for all other trends in the 2025 planning season.

2. Zero-based budgeting is back

Zero-based budgeting is a form of budgeting in which all expenses must be justified for each new period. Budget owners start every line item from zero and then build up the budget with only those expenses that are absolutely necessary. Use this method to take a cost-driven, bottoms-up approach to budgeting. Share the available budget with department heads and have them make the case for expected ROI. This forces VPs to be responsible for their own P&L.

3. Consolidation of vendor spend

Departmental teams need to consolidate best-of-breed tools with other departments to reduce software spend. This could mean consolidating two departmental systems into one (e.g. sales and marketing agree to use either ClickUp or Monday.com, not both). Or, it could mean bundling features into bigger packages to negotiate a volume discount (e.g. using Salesforce for marketing instead of HubSpot; or, using QuickBooks for billing instead of a dedicated tool).

4. The rise of AI

Expect to start seeing this technology used to help automate things like data hygiene, anomaly detection, predictive analytics and forecasting, vendor spend optimization, and prescriptive chat-based responses explaining performance trends and calculation logic. All of this will significantly reduce the time it takes to do the data crunching part of the job, and even help with crafting the financial story of what's happening in the business and why.

5. What-if scenario planning plays a bigger role than ever

Executive teams need to see two or three official versions of the plan. Not only does this help them evaluate shock events (if X happens, what's the impact on revenue, cash, etc.) and quickly pivot to backup plans, but it also helps them communicate and manage expectations with investors. Go further by assigning confidence levels to your formal low, medium, and high-case scenarios. For example, "we believe there is an 85% chance we can achieve plan A, but only a 60% chance we can achieve plan B because of x, y, and z reasons."

6. A focus on vendor-level forecasting

Vendor-level forecasting, or budgeting expenses by individual vendor, is a great way to introduce more rigor around your budgeted spend for one of the biggest aspects of your cost structure behind headcount — the software, contractors, agencies, and hosting services that keep your company running. This technique forces you to carefully consider where you're spending money and why, and will often quickly surface areas of fat you can trim from the budget.

7. Monthly (not quarterly) forecasting

Don't assume the annual plan is set in stone. Always be evaluating multiple scenarios and be ready to pivot to a backup scenario as actual performance results unfold. To do this well, it needs to be happening on a monthly cadence. If you wait a whole quarter to re-evaluate, you could miss opportunities, be hit harder by negative impacts (e.g. realizing too late your runway isn't as long as it needs to be), or mismanage performance expectations with investors.

8. Flight to high-ROI channels

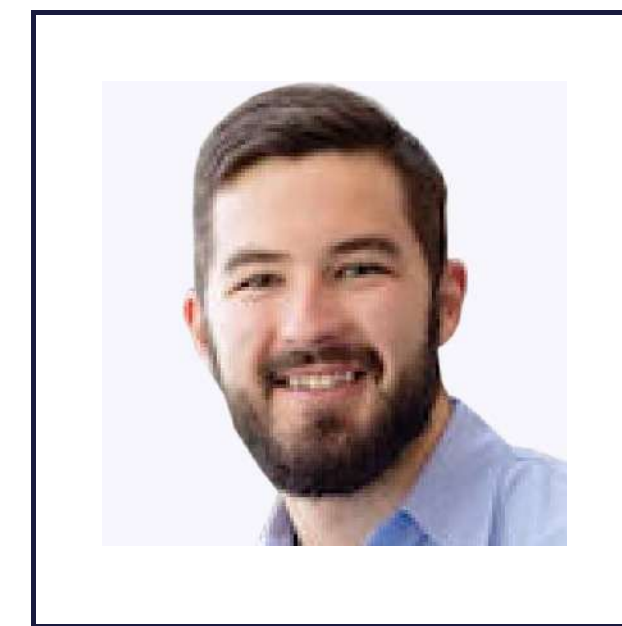
An effective technique in this cost-cutting environment is doubling down on your two or three most profitable and predictable channels, and cutting everything else. Find the marketing channels, sales strategies, product lines, and markets that perform the best and allocate the majority of your budget to those items. Cut back on the areas that don't return adequate payoff. This is a great way to cut costs while also optimizing ROI.

The Blueprint for Planning Success

Planning season is always a stressful time in finance. By the end, you're working through year-end close to make sure everything is accounted for in the right calendar period, preparing board materials, trying to collaborate with the rest of the business as people leave for the holidays, and maybe even prepping for an audit — all at the same time.

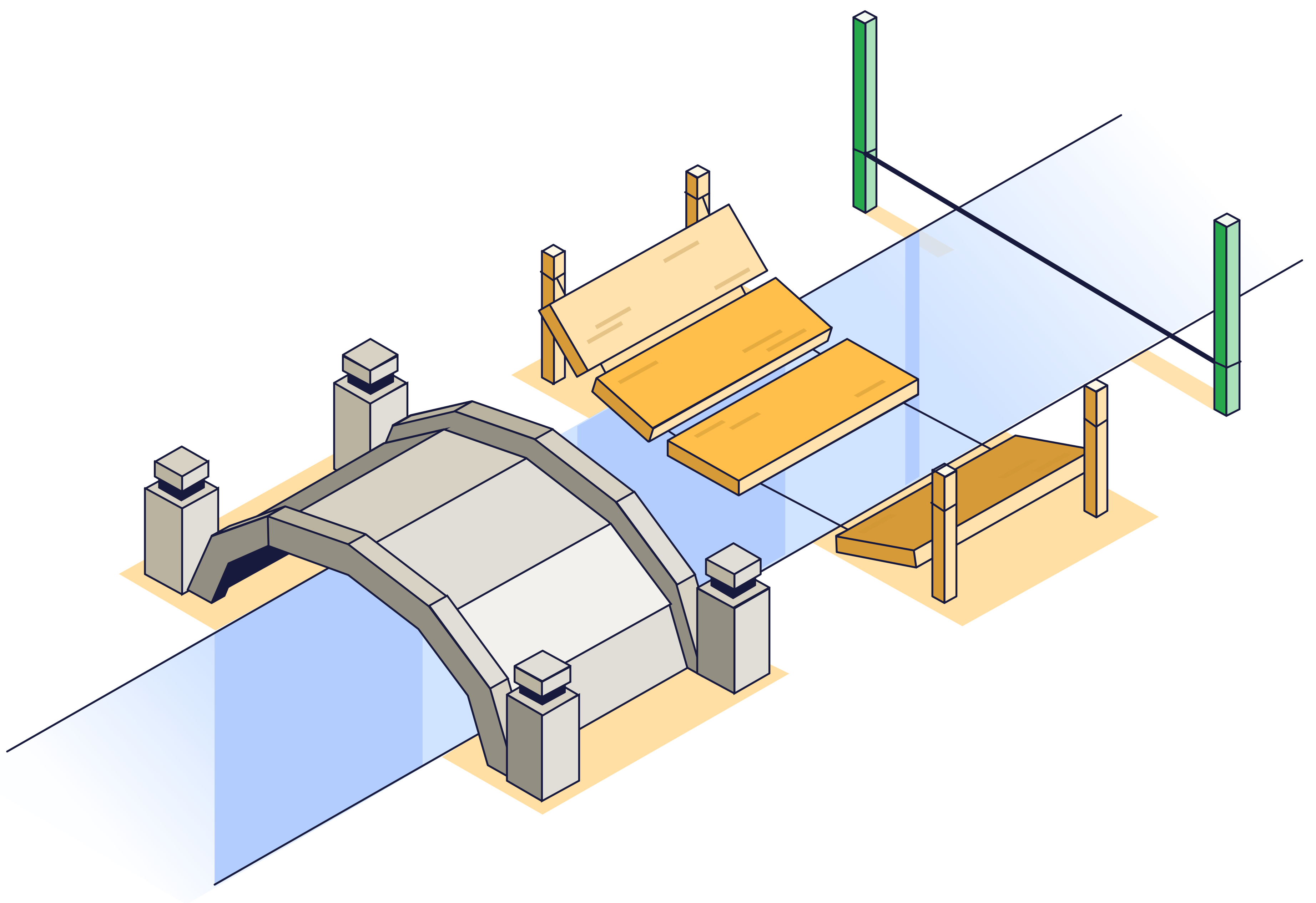
Despite all the challenges, getting your annual plan finalized, approved, and ready for board presentation on time is crucial.

And given the challenges of the 2025 planning season, you'll need to start sooner rather than later. Because if you're still trying to build your budget in the first week of Q1, you're already starting the new year off on the wrong foot.



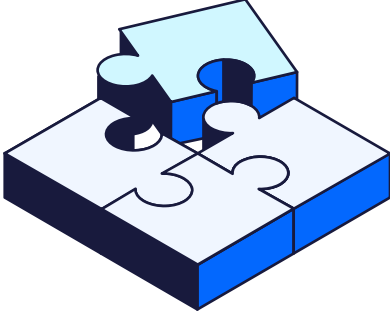

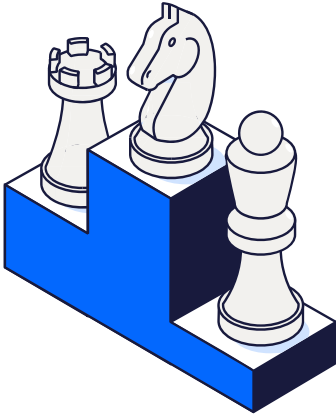

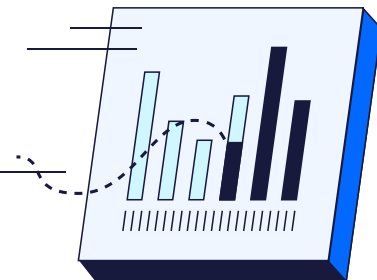

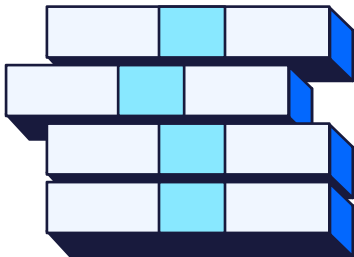

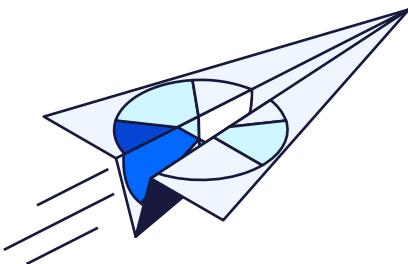

We're going to start probably [by the beginning of August] because we want to be done come the middle of Q4... A mistake we made last year was setting Jan 1 as a deadline to be done with the plan, which is not a good deadline because it's going to change 20 times after other people see it.

Zack McCarty,
Director of FP&A, Qwick



The specifics of your annual planning process will depend on the complexity and maturity of your business. But what we’re seeing with partners and customers is that most are starting the process in mid-Q3 at the latest rather than waiting for the start of Q4 or even later as they did in years past.

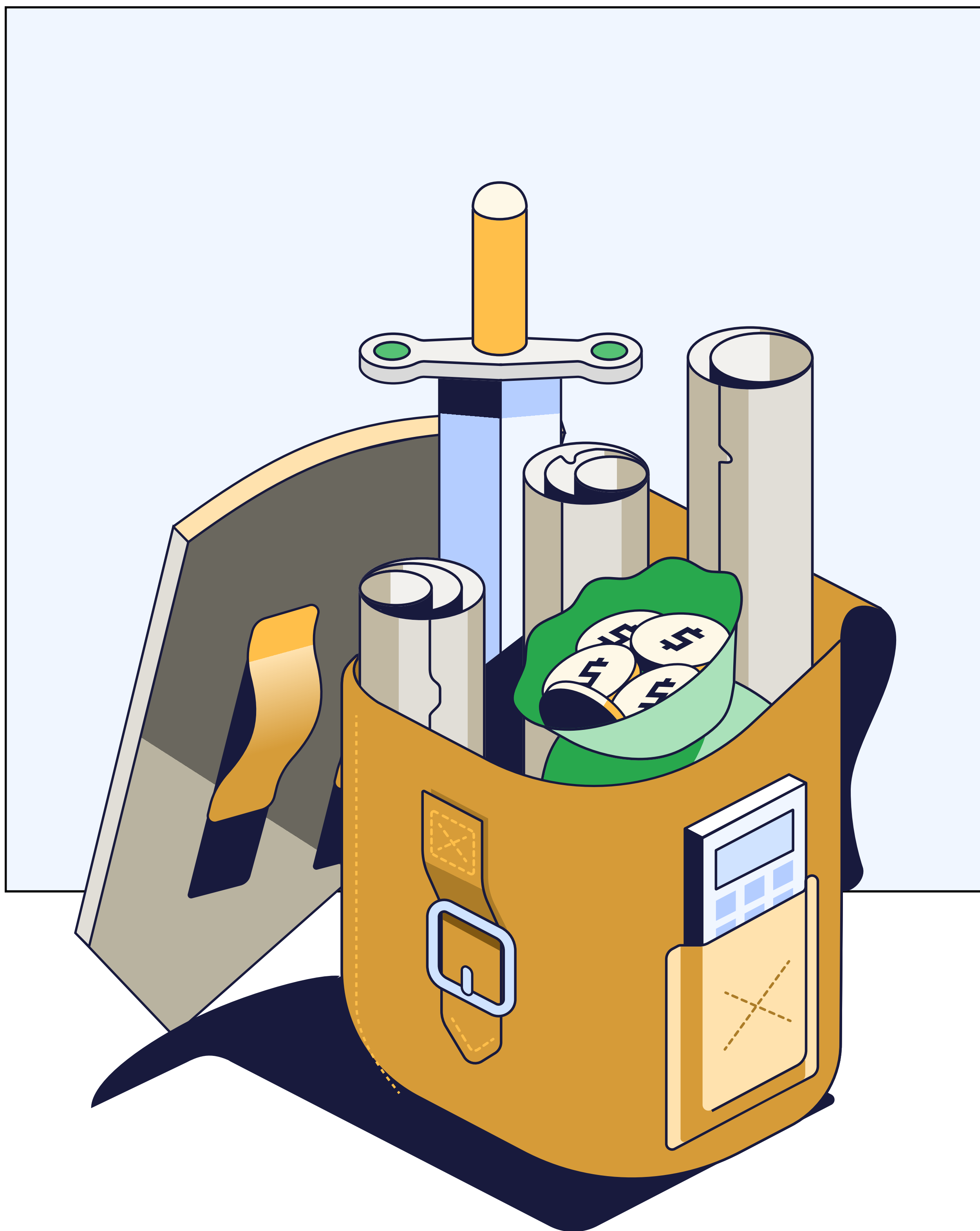
Regardless of when you start, you can use this blueprint to organize your timeline and processes so you can get your annual plan out the door before year-end stress sets in.

	<div>PHASE 1</div> <div>Organize department-level data in the main financial model</div> <div><ul style="list-style-type: none">• Gather, organize, and clean historical data• Identify consistent spend across the business• Identify inconsistent spend across the business• Start shaping questions you'll ask in department-level meetings</div>	<div> 2 Weeks</div>
	<div>PHASE 2</div> <div>Break out to department-level plans</div> <div><ul style="list-style-type: none">• Meet with sales, marketing, product, and other departments across the org• Understand key goals, strategies, and projects that drive each department’s budget• Establish a range of potential headcount plans to support annual goals• Organize the OpEx budget</div>	<div> 2 Weeks</div>
	<div>PHASE 3</div> <div>Translate department budgets to the main model and scenarios</div> <div><ul style="list-style-type: none">• Manage cash vs. accounting in the model• Organize department-level data in the main financial model• Stress test for a variety of what-if scenarios• Finalize at least three scenarios to present to the CEO</div>	<div> 1 Week</div>
	<div>PHASE 4</div> <div>Align with the CEO for company and board approval</div> <div><ul style="list-style-type: none">• Present the full plan and primary scenarios to the CEO• Address comments, changes, and additions• Get sign off on the primary scenarios• Prepare scenarios for board review</div>	<div> 1 Week</div>
	<div>PHASE 5</div> <div>Reforecast throughout the year to keep the plan fresh</div> <div><ul style="list-style-type: none">• Revisit headcount, revenue, expense, and cash flow forecasts on a monthly basis• Update models to reflect new context about the business and macroeconomic environment• Compare rolling forecasts to the original annual plan</div>	<div> Ongoing</div>

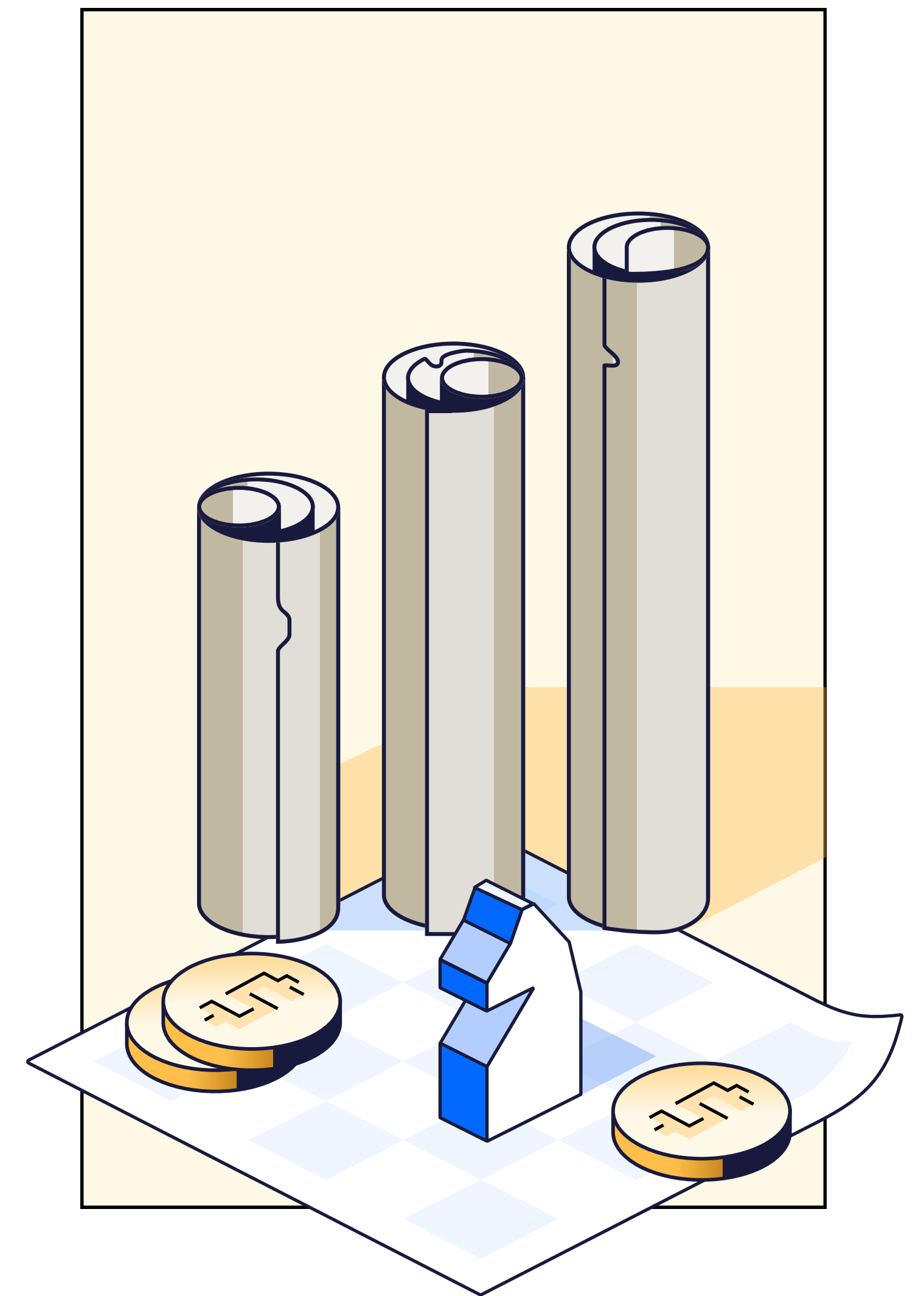
Gather, Organize, and Understand the Data

The annual planning process always starts with dissecting and categorizing data from across your organization to understand the prior year's performance trends. This baseline understanding sets the foundation for your entire planning process.

Your goal in this phase is to get a clear understanding of the known-knowns and known-unknowns across the business.



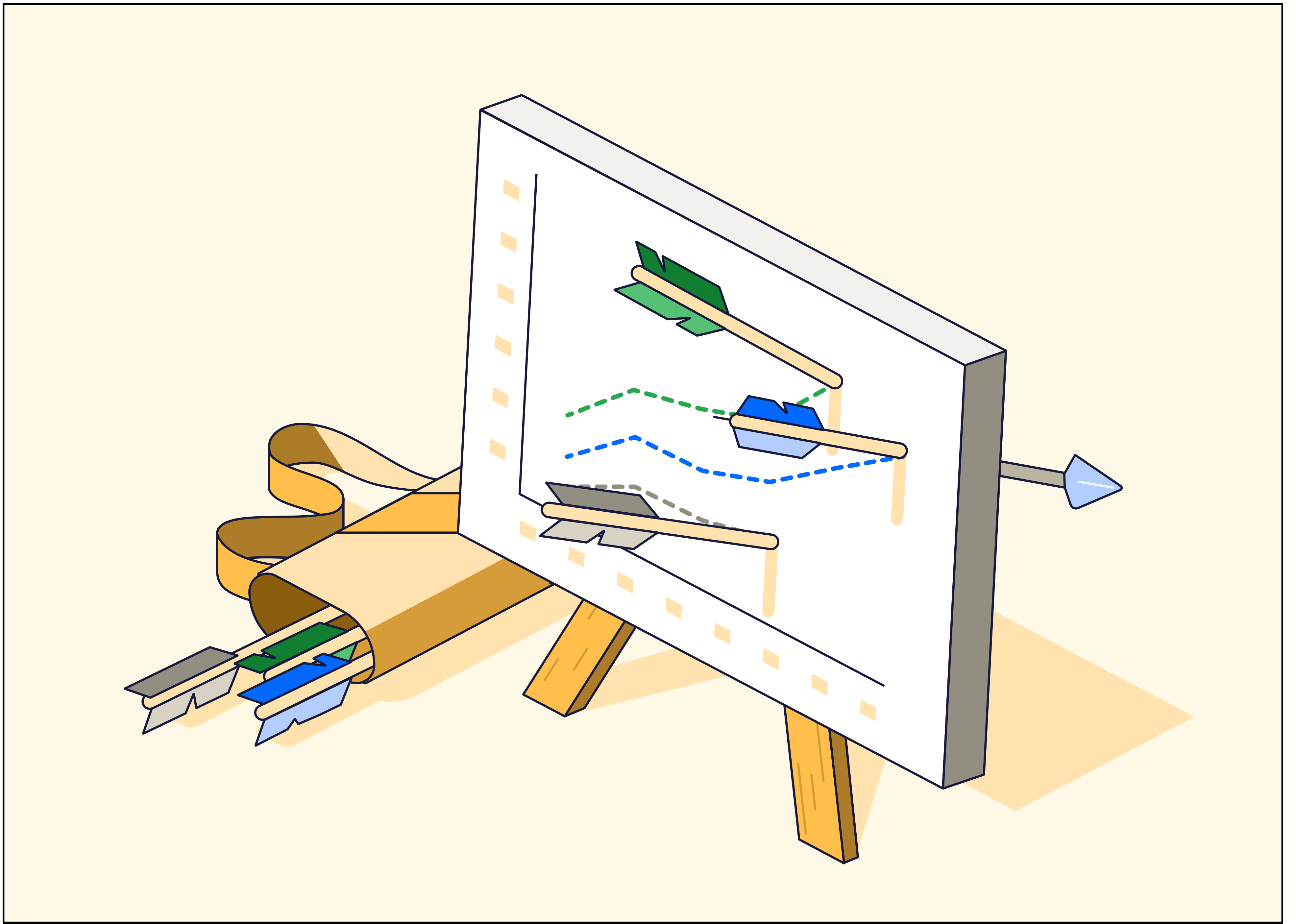
- **Known-knowns.** Pull total spend by department from your general ledger (GL), broken out by major spend categories. Look at each expense item to determine what teams are spending money on and where there's consistency over time. One example might be LinkedIn ad spend if your marketing team used that as a primary channel throughout the year. You might expect the marketing team to increase that spend in the next year. Use these insights to shape questions for your department-level meetings.
- **Known-unknowns.** Find the inconsistent spending across GL accounts. What are some of the big, one-off expenses across departments for the year? Are there opportunities to limit these large expenses in 2025 to improve cash flow? Discuss the context around these insights with department leaders to understand what to double-down on and what to deprioritize next year.



Macroeconomic uncertainty makes it almost impossible to take an incremental approach to the 2025 budget. Zero-based budgeting and vendor-level forecasting will be critical to this planning cycle. Instead of taking known spend and increasing incrementally to build your FY25 plan, use a driver-based approach to make your model more flexible and better aligned with current market conditions.

A driver-based approach keeps your process outcome-oriented by drilling down to the per head, per month, or per vendor impact of costs. These value drivers improve the accuracy and flexibility of your forecasts by aligning revenue and expense forecasts with the primary levers for your business.

Take software spend as an example. Instead of assuming an incremental increase in spend, determine your historical per-head software expenses and build that driver into your model. That way, as you adjust headcount plans according to market conditions, your expense forecast stays updated accordingly.



PHASE 2

Break Out to Department-Level Plans

If Phase 1 is about zooming out to get a clear view of the entire business, Phase 2 is where you zoom in and start refining the details of the plan. This is the most collaborative portion of the annual planning process — and perhaps the most important. Your ability to connect with department leaders, understand their needs, and contribute to their plans will make or break the effectiveness of your FY25 plan.


The key here is to create a common language with each business partner. Leaders in sales, marketing, and product don't speak the same language as finance. So, instead of handing over dense spreadsheets and expecting them to get up to speed on the financials, it's your job to communicate with them in terms they care most about. Do so by mixing bottom-up and top-down approaches to the planning process.

- **Bottom-up approach.** Focus conversations around past performance compared to plans. For example, if you're working with sales to set a new bookings target, you can start at the bottom with rep quotas and win rates to build up to pipeline goals progressively.



- **Top-down approach.** Set high-level budgets and establish goals to reach them when you don’t have historical data to work with. For example, if you’re going to start selling to enterprise customers for the first time, you need to determine how that will change the sales plan. Set the top-level goal and build sales assumptions to reach them.

As you work through the two different approaches, keep scenario planning in mind. For the major levers in each department, understand how base, high, and low-case scenarios impact performance and business objectives.

Sample Questions to Ask Department Leaders

<div></div> <div>Sales</div>	<div>How many new reps and AEs do you plan to bring on in the next year? How much in bookings are you expecting them to close and how does that map to our overall revenue goals?</div> <div>Are you planning to change quotas for the tenured team of AEs and SDRs? If so, how, and how will they achieve those bigger targets?</div> <div>What strategies are you planning to deploy to increase quota attainment, and what are the associated costs? Are you aligned with marketing to make sure we have enough pipeline to support those quotas?</div> <div>How will commission plans change in the coming year? How will that impact costs?</div>
<div></div> <div>Marketing</div>	<div>If we double campaign spend, what incremental ROI are you projecting? What are the campaigns and channels that perform best and have you prioritized your spend in these areas?</div> <div>What new channels will you invest in to reach our target audience next year?</div> <div>How many new heads will you need on the team to execute strategic plans?</div> <div>What are some of the blind spots in marketing measurement that could impact next year’s plans?</div>
<div></div> <div>Customer Success</div>	<div>What are your goals for net retention and upsells of existing customers?</div> <div>What trends are you seeing in customer behavior to support those goals?</div> <div>What kind of initiatives are you going to run to achieve those targets, and how much will they cost?</div> <div>Do you need to hire more CSMs, and if so, how much will that cost and what kind of ROI are you expecting?</div>

Sample Questions Continued

<div><div><></div><div>Product</div></div>	<div>How many new engineers will it take to release new features on time?</div> <div>How many new people in QA will you need to properly test new features?</div> <div>What do you see as the ideal ratio of team leads to engineers?</div> <div>Will you need to bring on additional support on the product management side next year?</div> <div>Are there any major new technologies you'll need to invest in to support the product roadmap?</div> <div>Are there any investments you need to make in infrastructure to help the team scale with the growing customer base?</div>
<div><div></div><div>G&A HR, Finance, Legal</div></div>	<div>Is the business overdue for an audit in the coming year?</div> <div>Are we planning any changes to pricing and billing? What new tools will we need to scale with transaction volume and complexity?</div> <div>Where do we need additional legal support?</div> <div>Are there any new tools the people team needs to help the company scale?</div>
<div><div></div><div>General Questions</div></div>	<div>How did you arrive at this budget? Zero-based? Or did you carry forward trends from last year?</div> <div>Can you give me three areas of spend you can cut by 10%?</div> <div>What are the top three vendors you can live without?</div> <div>Can you show me a high, medium, and low case of your department budget? What are the drivers and assumptions of each scenario?</div> <div>What happens if you don't get the headcount you've requested? What can targets will you be able to achieve?</div> <div>Are there new technologies available now that could make your team more efficient and do more with less?</div> <div>Tell me what goals you can hit if I give you a budget of \$X dollars.</div> <div>Have you collaborated with leaders in other departments to evaluate where we can consolidate some of our vendor spend?</div>

Translate Department Plans to the Main Model and Scenarios

The third phase of annual planning is an exercise in organization and scenario planning.

In Phase 1, you took a high-level view of the business. And in Phase 2, you zoomed in to get a department-level understanding. Now, in Phase 3, you have to zoom back out and organize all the individual plans into a unified model. That's when you can start pulling levers and stress testing for different scenarios for the business.

As you bring all that department data together, the biggest challenge will be translating everything into GAAP terms. There are two sides to the process:

- **Cash.** Department-level plans come to you in cash terms. Sales says they need Salesforce licenses on January 1 that cost \$120k for the year. The total impact is \$120k, but you need to amortize that expense in your model to accurately reflect cash flow impact based on the billing and payment terms of your contract.
- **Accrual.** Turn department-level plans into flat expenses for the year. In the case of the Salesforce licenses example, your model would show a \$10,000 monthly expense.

Once you feel good about your financial model, determine which scenarios you want to present to the CEO to prepare for 2024 market conditions.

Running What-If Scenarios for Your Annual Plan

You can't afford to build one baseline scenario in your annual plans and expect assumptions to hold throughout the year — especially given the difficult conditions you'll face in 2025.





In Phase 2 of the planning process, you collaborated with department leaders to understand their needs and strategies. At that stage, you should have worked through various department-level scenarios. For example:

- What if your sales reps hit a best case of 100+% quota attainment? What does revenue and cash flow look like if we hit a worst case of 50% quota attainment across the team?
- What if we hire another 20 heads in the engineering department? Does the ROI of new product releases justify the cash impact?
- What if we cut our marketing spend by 15%? How would you allocate the budget across channels? What kind of funnel performance do you expect?

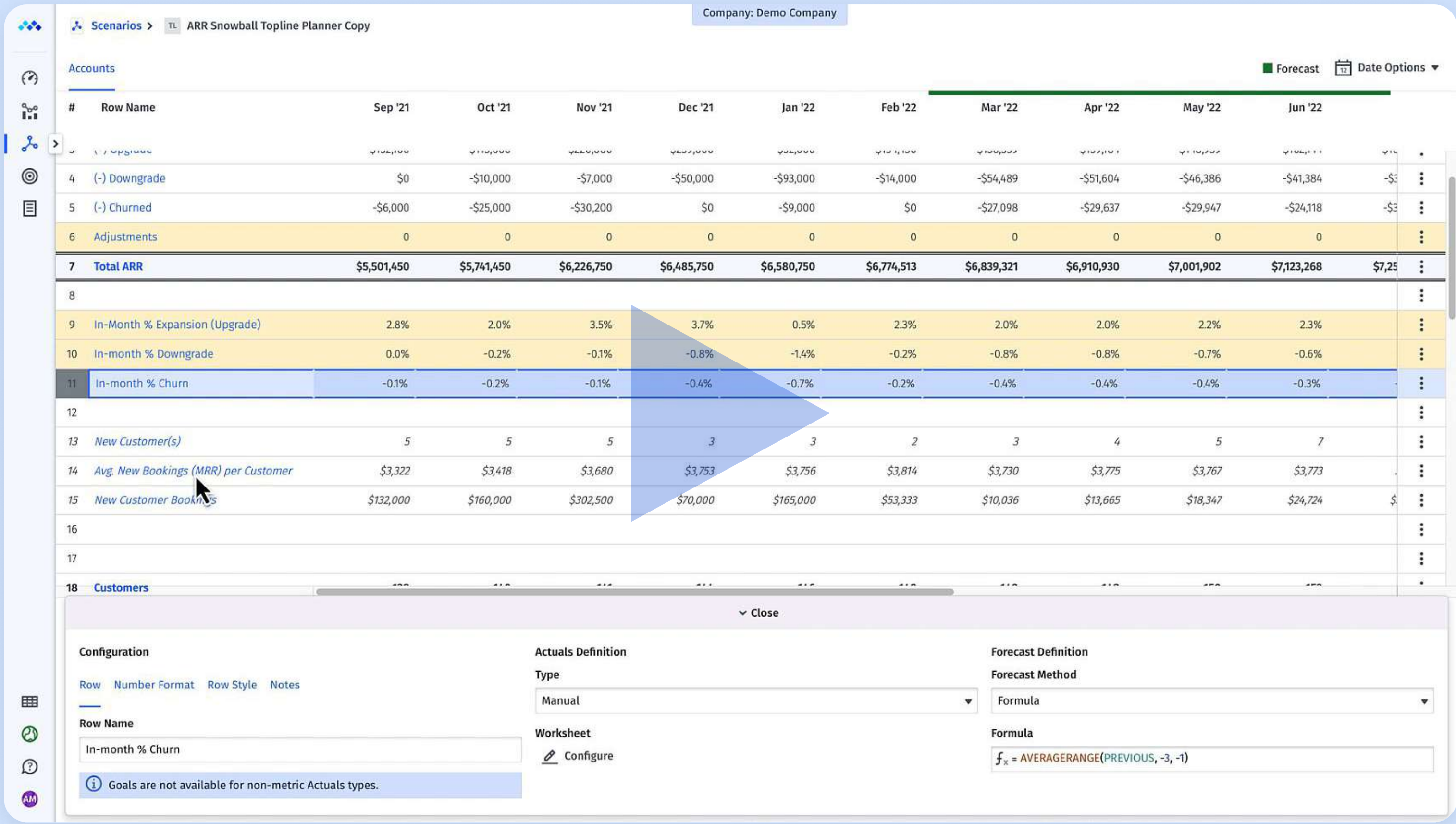
- What if we shift \$X from customer acquisition to customer retention? What impact could that have on retention rates and ending ARR? Would it be better or worse than spending that money in customer acquisition instead?
- What targets could you hit if you don't get the 3 new headcount you requested?

But when you start translating the department-level conversations to the main model, you need to run what-if scenarios for the company as a whole. As an example, consider a Series A startup that is ending the year around \$2.5 million in ARR and 80 heads. Your set of scenarios might look like the following.

Example Scenarios

	Baseline Scenario	\$5 million ARR with 100 headcount
<ul style="list-style-type: none">• End the fiscal year with 100 heads, grow to 150, 250, and 450 in the following three years• Reach \$5 million ARR by end of fiscal year, then \$7 million, \$10 million, and \$14 million in the following three• Forecast the income statement according to department conversations• Assume no fundraise in 2025 to impact the balance sheet		
	High Case	\$6 million ARR with 120 headcount
<ul style="list-style-type: none">• End the fiscal year with 120 heads, grow to 175, 300, and 500 in the following three years• Reach \$6 million ARR by end of fiscal year, then \$8 million, \$12 million, and \$16 million in the following three• Hold the same income statement assumptions• Assume no fundraise in 2025		
	High Case with Fundraise	\$6 million ARR with a \$15 million fundraise
<ul style="list-style-type: none">• Hold the same headcount forecast from the high case scenario• Hold same revenue forecast from the high case scenario• Hold same income statement assumptions• Add a \$15 million Series B to the balance sheet forecast in FY25Q4		
	Market Downturn Scenario	\$3.75 million ARR with 90 headcount
<ul style="list-style-type: none">• End the fiscal year with 90 heads, grow to 115, 155, and 255 in the following three years• Reach \$3.75 million ARR by end of fiscal year, then \$7.5 million, \$11.25 million, and \$15 million in the following three• Hold the same income statement assumptions• Assume no fundraise on the balance sheet in 2025		

Running these company-wide scenarios will help you have a more strategic conversation with your CEO about how to navigate the current economic environment. The different models help you get a clear understanding of how different revenue projections, headcount plans, and fundraising scenarios impact cash flow, burn rate, and runway.



Do Scenario Planning in Minutes with Mosaic

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Your job in the 2025 planning cycle is to safeguard the business against surprises. You can’t change the fact that there’s external market volatility. But building all these scenarios to present to your CEO will position you as the strategic partner your executives need in uncertain times.

PHASE 4

Align with the CEO for Company and Board Approval

Great finance leaders help ensure their CEOs don’t have to get in the weeds of each department’s planning process. Instead, they present fully fleshed-out plans and scenarios from Phase 3 as a jumping-off point to finalize things for the board.

But the challenges of this planning cycle will push you to spend more time with your CEO hashing out scenarios and model assumptions to plot the best path forward.

You should still aim to get plans in front of your CEO by mid-Q4 at the latest to make time for an iterative approval process. You want to leave plenty of time to adjust the plans based on your CEO’s comments and recommendations.

Then, the CEO can sign off on the plans and approve different scenarios you’ll present to the board — and you’ll be free to focus on year-end close.

PHASE 5

Monthly Reforecasting to Keep the Plan Fresh

The biggest criticism of the traditional annual planning process is that it becomes stale almost immediately after you finalize it. Your business changes far too quickly for the annual plan to remain entirely relevant through a single month, let alone an entire year. But the value of annual planning is in the process itself — and then you just have to keep it fresh month to month and quarter to quarter.

If you haven’t already, embrace rolling forecasts to supplement your annual planning process. Rolling forecasts give you an opportunity to revisit your plan monthly or quarterly with the most up-to-date actuals. Rather than taking a full six-week cycle to complete, you can quickly roll your plans forward alongside the monthly close and adjust as needed according to both business performance and macroeconomic conditions.

But if it were so easy to roll a monthly forecast forward, everyone would do it. Trying to do this in Excel is so manual and time-consuming that it’s sometimes not even worth attempting. In the past, you’ve settled for a mid-year forecast, but that’s no longer enough. Whether you take the time to build it in Excel or you take advantage of a software solution like Mosaic to streamline the roll forward, this is work that has to be done on a monthly basis in 2025.



Annual planning is a forcing function for management to think about the big picture. Yes, it will be stale the moment it is printed, but it’s the process, not the outcome, that is most valuable to a company.

Peter Nesbitt
COO, Teampay



A lesson I learned from the previous year was to start with conservatism. It's better to kill your goals and knock them out of the park versus come well short... We're going to go into 2025 planning with a much more realistic approach because it's much better to be hitting your plan every month and the board seeing that than having to answer why you're missing.

Zack McCarty,
Director of FP&A, Qwick

Replanning regularly with a rolling forecast gives you a few advantages:

- **More dynamic scenario planning.** Rolling forecasts forward monthly or quarterly makes scenario analysis more agile. As updated actuals come in, you can understand current performance trends and then break your new baseline forecast into multiple scenarios for headcount, top line, and expenses to understand how new circumstances and plans will impact cash flow, burn rate, and runway.
- **Ongoing collaboration with department leaders.** When you continuously plan with business partners throughout the year, you’re building rapport and trust with them as you work together to update budgets and strategies. Your unique perspective of company-wide data will help you build trust with department leaders and make you a more strategic partner in decision-making.
- **Outcome-based spending reviews.** A more frequent reforecasting process creates an actionable foundation for budget variance analysis. Instead of reporting just on how teams are tracking to the annual plan, you can have more granular conversations with stakeholders about how changes in spending could improve performance as market and business conditions change throughout the year.

While every team needs to embrace reforecasting in 2025, the annual plan remains the cornerstone of your budgeting process. It’s the guidepost for where you want your business to go — even if you have multiple scenarios to account for.

When you pair your annual plan with a monthly reforecasting cadence, you’re able to paint a clearer picture of the “why” behind your financial data. Getting that actionable, up-to-date insight is what ensures your planning processes are practical and helpful to the business — not just an exercise to check boxes.



Finance teams need to ensure we have our finger on the pulse of the business we’re operating in. What that means is there’s this constant concept of reforecasting — how quickly can we get real-time data and use that to understand a little bit more about where we’re going?

Aneal Vallurupalli
CFO, Airbase

★ [2022 Mover of Strategic Finance](#)



Four Ways to Leverage Software in Your 2025 Planning Season

This blueprint for 2025 planning season assumes one thing — that you have a level of data integrity that makes aligning with business partners easy and efficient for all involved.

But maximizing data integrity in your organization doesn't mean much if you're still running your planning season through highly manual processes.

Moving into the 2025 planning season, you should be thinking about ways to automate and streamline as much manual work as possible. There are four areas you should consider: vendor-level forecasting, scenario modeling, rolling forecasting, and cash flow/balance sheet planning.

USE CASE #1

Vendor-level forecasting

Aside from headcount, the majority of your operating expenses typically go toward software and agency/contractor spend. You want to work with department leads to identify areas of opportunity to cut costs and determine if there are vendors they can live without. But you can't do it with precision without vendor-level forecasting. This is daunting in a spreadsheet, but easy with software. [Learn more.](#)

USE CASE #2

What-if scenario modeling

When market conditions are difficult and uncertain, the business leans on finance to support agile and proactive decision-making. You need to be able to build and compare multiple scenarios simultaneously, change assumptions, and be ready to pivot at a moment's notice. Spreadsheet-based scenario modeling can't support that level of agility (no matter how good your Excel skills are). Leverage strategic finance software to keep pace with business needs on this front. [Learn more.](#)

USE CASE #3

Rolling forecasting

The only way to make sure your annual planning cycle proves useful in the year ahead is to leverage rolling forecasts. Your annual plan provides a baseline of expectations for the year, but it's the rolling forecast that sets your business up to pivot proactively if performance results don't live up to those expectations. Traditionally, rolling forecasts have been too time intensive to be worth the effort. Strategic finance software can roll your plans forward with a few clicks and empower you to pivot on the fly. [Learn more.](#)

USE CASE #4

Balance sheet planning

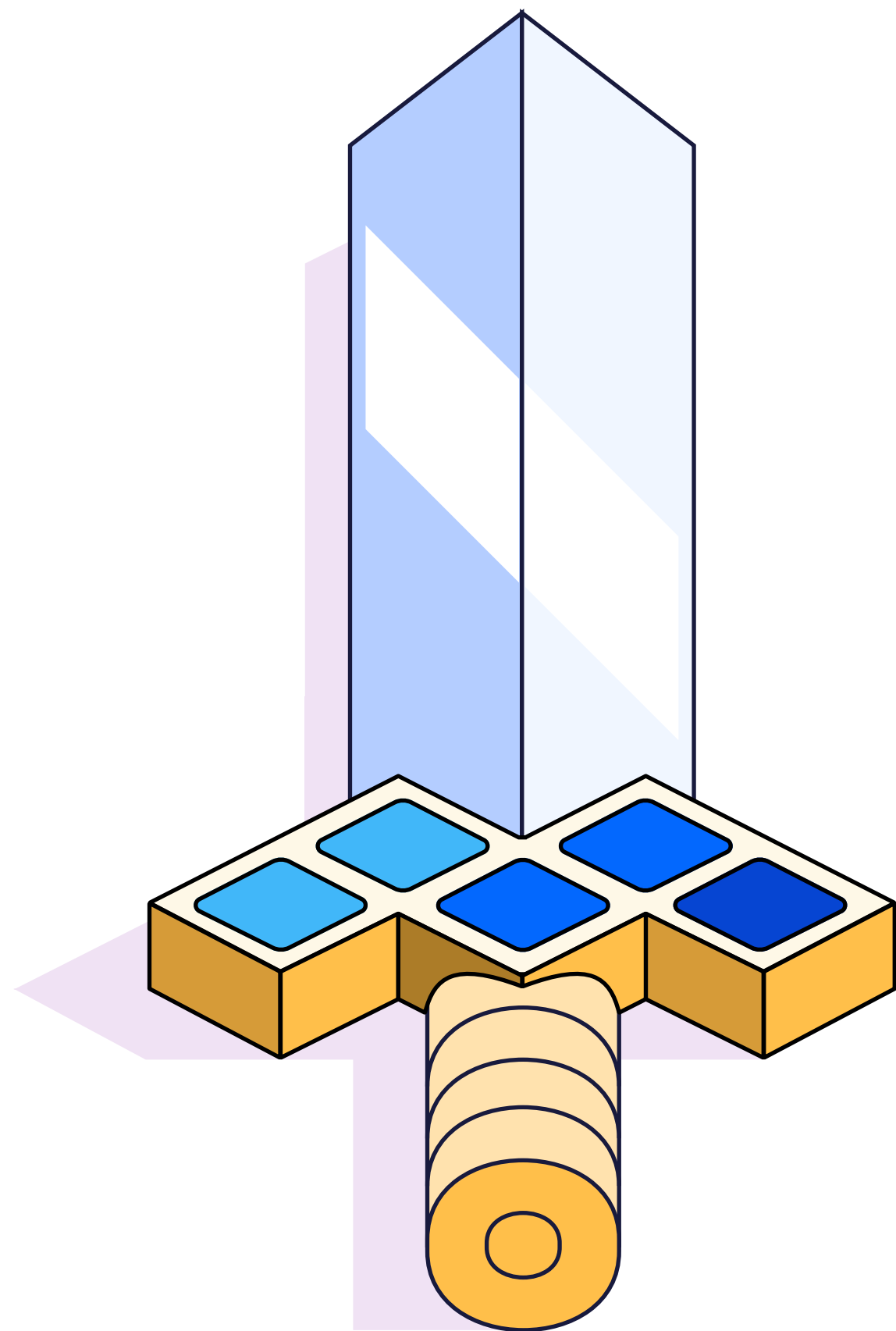
There was a time not too long ago when planning season mostly revolved around the P&L. But now that venture capital is less accessible and hitting growth goals is harder than it's been in years, cash flow and balance sheet planning have to take center stage in your planning cycles. Manual balance sheet planning often prevents you from getting as granular as necessary to make forecasts more precise. Leveraging software for cash flow forecasting will let you plan at the most granular level and reforecast as needed to keep pace with business demands. [Learn more.](#)

Mosaic is a Strategic Finance Platform that fulfills these use cases by acting as the connective tissue for your business, automating financial data integration and freeing you up to add more strategic value to the planning process by:

- Updating financial models to answer strategic questions in minutes instead of days
- Providing real-time insight into financial performance and the metrics that matter most
- Communicating with business partners in a common language they can understand
- Making it easy for business users to work with the numbers and plan more efficiently

The blueprint for 2025 financial planning isn't just about nailing down the six-week process to build an annual budget. It's about setting yourself up to effectively manage the major themes that will define planning cycles in the year ahead.

Reaching this level of agility, flexibility, and efficiency doesn't have to be so difficult. As you start your annual planning, now is the time to put the foundation of data integrity and planning efficiency in place and automate your way to smoother processes in the months to come.



Looking to level up your planning?
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