



ULTIMATE GUIDE TO FORECASTING, PLANNING AND BUDGETING FOR TECH IN YOUR BUSINESS

Valley Techlogic Report

How much should you be spending for IT in your business? How can you better predict costs and budget for them accordingly? How can you plan for technology upgrades? This guide answers these questions and more.

PREPARED BY :
Rory Reed



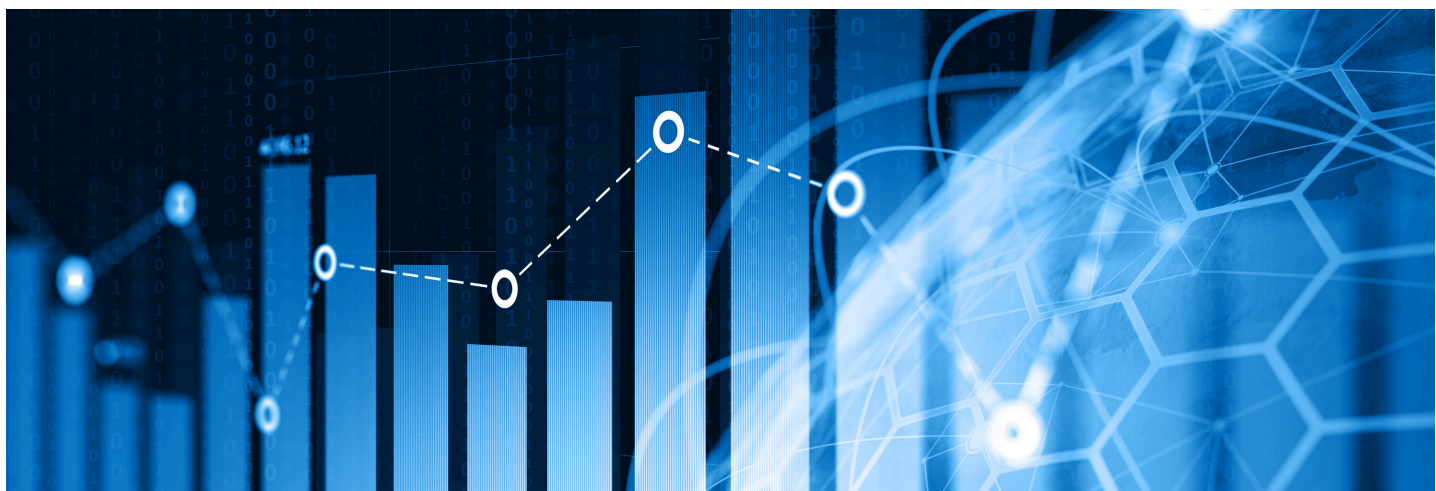
Content

<u>TECH SPENDING TRENDS</u>	03
<u>TECH SPENDING BY CATEGORY</u>	04
<u>NEEDS VERSUS WANTS</u>	05
<u>BUILDING YOUR TECH BUDGET</u>	06
<u>TECHNOLOGY SPENDING REVIEW</u>	07
<u>TECHNOLOGY FORECASTING ADVICE</u>	08
<u>TAX CONSIDERATIONS</u>	09
<u>HOW WE CAN HELP</u>	10
<u>CONTACT</u>	11

Tech Spending Trends

When it comes to examining what you should be spending for technology maintenance and improvements for your business, it can be helpful to first have some insight into what spending typically looks like for other businesses by category.

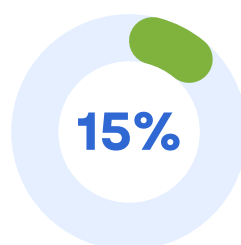
There is no one size fits all solution when it comes to technology spending, but having a baseline for what's typical can give you an idea of where to start.



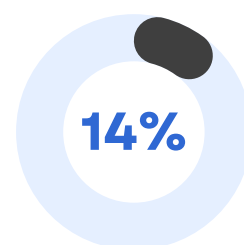
SOFTWARE



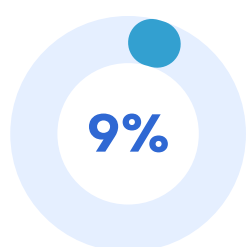
HARDWARE



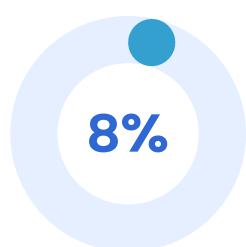
IT LABOR



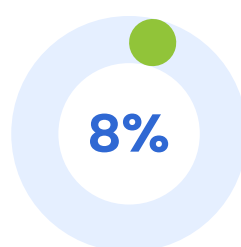
HOSTING
AND
BACKUPS



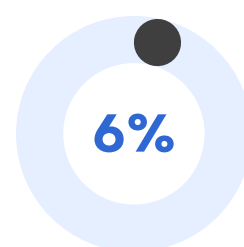
MANAGED
IT SERVICES



INFRASTRUCTURE
(FACILITIES AND
POWER)



TELECOMMUNICATIONS



INTERNAL
SERVICES
(LINE OF BUSINESS
SOFTWARE ETC)

Tech Spending By Category

We just gave you 8 categories for tech spending and typical spending for those categories as of 2024, but what do those categories cover? Below is a breakdown of each category and items typically included.

Again, your spending may not match the above, for example if you currently use an IT service like ours your IT spending for labor may be 0%. It's important to do a cost analysis of your existing spending to be able to forecast for future spending but breaking it down by category can be helpful in examining where overspending may be occurring vs having an all in one "tech budget".



Spending in each category may vary drastically from business to business or even year to year depending on individual needs. Historical data is an important part of budgeting.

HARDWARE	SOFTWARE	IT LABOR	BACKUPS
- Laptops - Desktops - Servers - Networking Equipment - Printers - Peripherals (Webcams, Mouses, Keyboards Etc)	- Security Software - Operating Systems - Productivity Software (Like Microsoft 365 or Google Suite)	- Your In-House IT Staff or IT Manager - Break-Fix IT Staff - External Contractors	- Cloud Hosting Costs - Database Fees (AWS for Example) - Network Storage - External Storage

MANAGED SERVICES	INFRASTRUCTURE	TELECOMMUNICATIONS	INTERNAL SERVICES
- External IT Provider (Either a Full Service Option or a Co-Managed Option That Works with Existing IT Staff On an Ongoing Basis) - Managed Help Desk - Managed Security - Managed Print Services	- Utilities - Physical Security - Fire Suppression - Racks, Rails, Cabinets, Cable Management	- Internet Service Provider - Cellular / Mobile - VoIP Phones - Landline Phones - Headsets - Telephone Handsets	Line of Business Software Including Accounting, Legal, Facilities Services, HR Services

Needs Versus Wants

It's also important to determine what your technology needs are versus your technology wants, and evaluate at minimum annually. There is again, no one size fits all solution to this. Where one company could put off laptop upgrades for another year, another company may lose significant productivity by being hamstrung by aging hardware. It's also important to evaluate whether attempts at cost savings measures may cost you more in the long run, below four questions to ask yourself when creating your technology budget.



WHAT PROBLEM DOES THIS SOLVE?

The very first thing you should do before purchasing anything, is asking what problem this purchase will solve. This will help you determine the urgency or evaluate whether it's a necessary purchase altogether.



WILL MY USERS NEED TO SPEND TIME ADAPTING TO THIS PRODUCT?

Another consideration is the time cost of your purchase, if it's new software or hardware your employees will need to receive training on, time spent on that has a cost as well.



CAN I EXPECT A ROI (RETURN ON INVESTMENT)?

Some technology spending is necessary whether you'll receive a direct ROI or not (such as cyber security upgrades), but it's still important to evaluate whether some of the costs will be alleviated down the line (for example increased employee productivity).



HOW WILL THIS INTEGRATE INTO MY BUSINESS?

It's also important to look at how your new technology purchases will integrate into your business, for example allocating budget to an IT support service like ours could allow you to allocate an existing employee elsewhere (especially if that employees job role is not IT).

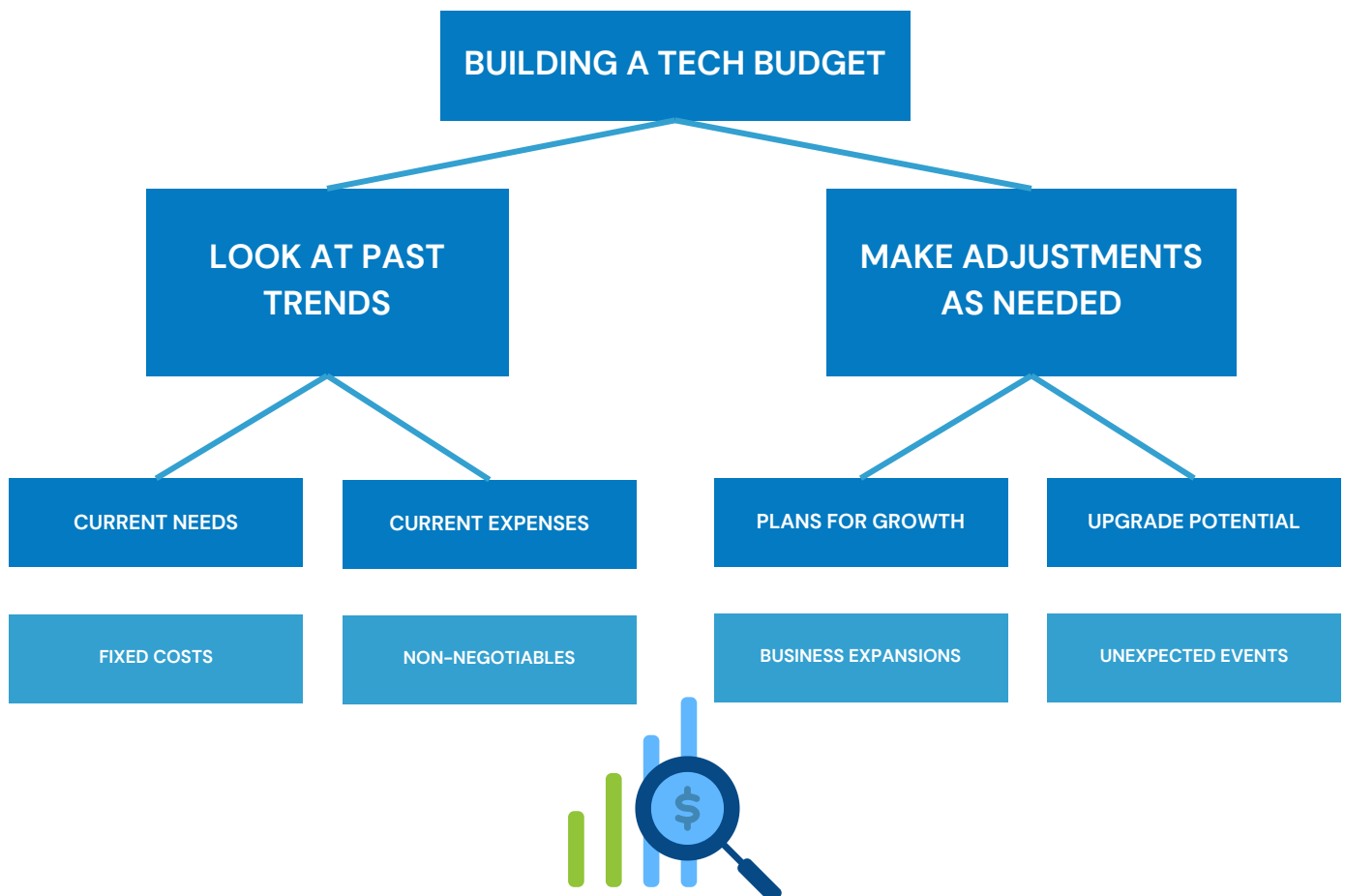
Building Your Tech Budget

Now that you have examined your technology spending by category and evaluated purchases you plan to make, you're ready to build out your technology budget.

It's important to keep these factors in mind as you work on your budget, making predictions can be tricky and unexpected expenses may arise. It's important to budget for those as well and we will cover that more in the next page on forecasting your technology spending.

MAINTAINING YOUR BUDGET

After following the steps below, you will want to continuously monitor and make adjustments as needed. Your business is constantly changing, so your budget should as well. As new technologies emerge and old technologies become outdated, you will need to make adjustments to your budget at minimum on an annual basis to cover these costs and remain flexible to obtain the most from your technology spending.



Technology Spending Review

After reviewing the categories you're spending your tech budget on, it's a good idea to take the current years expenses as a baseline to work from. Use the chart below to define your current monthly and annual expenses by category and then on the next page we have ways you can reduce spending in these categories through more accurate forecasting, negotiating with vendors and

HARDWARE

\$ _____ / PER MONTH \$ _____ / PER YEAR

SOFTWARE

\$ _____ / PER MONTH \$ _____ / PER YEAR

IT LABOR

\$ _____ / PER MONTH \$ _____ / PER YEAR

BACKUPS

\$ _____ / PER MONTH \$ _____ / PER YEAR

MANAGED SERVICES

\$ _____ / PER MONTH \$ _____ / PER YEAR

INFRASTRUCTURE

\$ _____ / PER MONTH \$ _____ / PER YEAR

TELECOMMUNICATIONS

\$ _____ / PER MONTH \$ _____ / PER YEAR

INTERNAL SERVICES

\$ _____ / PER MONTH \$ _____ / PER YEAR



Technology Forecasting Advice

HISTORICAL DATA ANALYSIS

Analyze past technology spending trends (as you did on the previous page) to predict future needs. By reviewing patterns in previous years, you can estimate future costs and adjust for inflation, growth, or changes in technology needs.

VENDOR CONSULTATION

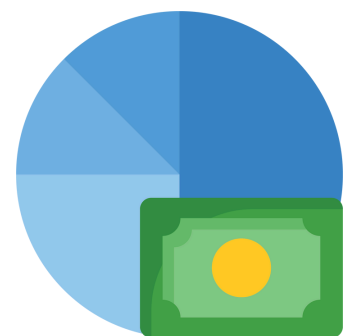
Engage with technology vendors annually (including your IT service provider) to understand upcoming product releases, pricing trends, and necessary upgrades. Vendors often provide insights into future costs and technology advancements.

SCENARIO PLANNING

Develop different scenarios based on potential business growth, market changes, or technology disruptions. Each scenario should include potential technology costs, allowing you to prepare for various outcomes.

TOTAL COST OF OWNERSHIP (TCO) ANALYSIS

Calculate the TCO (total cost of ownership) of existing and new technology, including acquisition, implementation, maintenance, and eventual disposal costs. A comprehensive view of the whole picture ensures you can accurately account for all potential expenses in the future.



PROJECT-BASED FORECASTING

It's also important to forecast technology spending based on upcoming projects in your pipeline. Each project will have its specific technology needs and associated costs and you have to weigh your options, such as does it make sense to wait on something for future savings or push it to the forefront for immediate gains? This questions can only be answered on a case by case basis but reviewing past projects may grant better insight and provide better results.

SUBSCRIPTION AND LICENSING REVIEW

Evaluate current subscriptions and licenses, considering renewals, potential upgrades, or changes in service providers. This review helps anticipate future costs and identify savings opportunities.

Tax Considerations With Technology Spending

There are tax considerations when making purchases for your business including Section 179. Essentially, Section 179 of the IRS tax code allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year. That means that if you buy (or lease) a piece of qualifying equipment, you can deduct the FULL PURCHASE PRICE from your gross income. It's an incentive created by the U.S. government to encourage businesses to buy equipment and invest in themselves. Until December 31st of this year you can take advantage of this tax savings on up to \$1,080,000 in machinery, computers, software, office furniture, vehicles, or other tangible goods. See the example chart to the right.

How Can
\$10,000
Worth of
Equipment
Cost You
Only
\$7,900?

Equipment Purchase:
Section 179 Deduction:
Normal 1st Year Depreciation:
Total 1st Year Deduction:
Tax Rate Assumption:
Cash Savings:
Your Net Equipment Cost:



What equipment or technology purchases qualify for Section 179?

- 1. New Equipment:** This includes computers (as long as they're used in your business at least 50 of the time), servers, backup devices, phone system hardware and more.
- 2. Components:** Such as hard drives and solid-state drives, RAM, video cards, monitors and more.
- 3. Refurbished Equipment:** You don't have to buy new equipment to qualify for Section 179, in fact if you're in the market for a new server and have been debating new vs refurbished, we have an article where we weigh in here. Equipment can also be financed or leased and still qualify.
- 4. Software:** If you're looking to purchase software upgrades for your business this year – such as upgrading an older copy of Windows to the latest version – these would also qualify.
- 5. Professional Services:** Even certain professional services like ours can possibly be deducted under Section 179.

What items do NOT qualify for Section 179?

- 1. Intangible Assets:** This would include things like patents or copyrights as an example.
- 2. Land:** You cannot purchase land and claim a deduction for Section 179.
- 3. Purchased from Family:** Unfortunately, you cannot claim purchases that are made through a family member. Even if the product itself would normally qualify, if the item was purchased through a sibling, parent's or spouses' separate business it will not qualify.



LOOKING TO IT SERVICES BUT DON'T KNOW WHERE TO START? FOR CENTRAL VALLEY BUSINESS OWNERS THE CHOICES IS CLEAR

Valley Techlogic has been servicing Central California business owners since 2004. We pride ourselves on having a high service level standard that features up front consistent billing and fixed fee project costs.

THIS KIT IS A FREE RESOURCE FOR YOU, BUT IF YOU ARE IN THE MARKET FOR IT SERVICES WE CAN HELP

We have experience working businesses of all sizes, from 10 users to 100+ and our plans are tailored to address any setup including be an all inclusive solution to working with an existing IT resource at a reduced cost.



BUDGETING FOR IT DOESN'T HAVE TO BE A COMPLICATED PROCESS

As we've outlined in this packet, budgeting for IT is about using the data you have to make predictions for the future. With a Valley Techlogic IT support plan, providing IT support for your business will be a consistent line item rather than an unpredictable expense. Our service plans are tailored to you and feature up front consistent pricing.

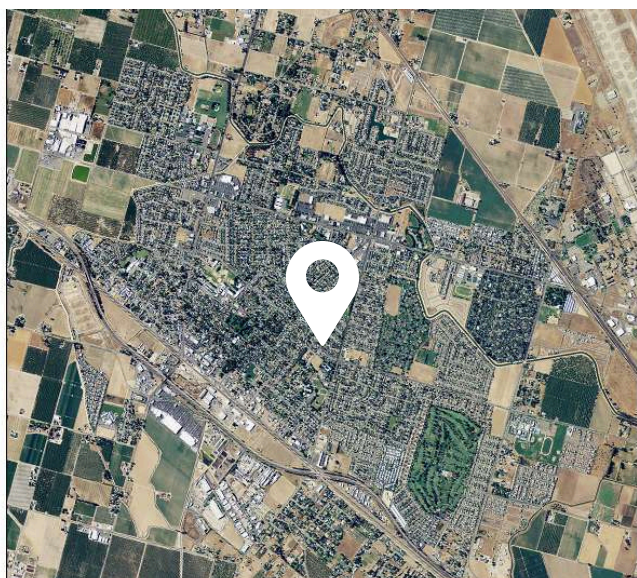


HOW TO GET STARTED WITH VALLEY TECHLOGIC

Valley Techlogic has tools in place to help businesses of any size located in the Central Valley with their technology goals. We can help with installations such as security cameras and VoIP, providing IT support, bringing your business up to compliance with cyber security standards and more. Below are five benefits exclusive for Valley Techlogic customers:

- Extraordinary savings on procurement - in both time and money, our partnerships allow us access to discounts and orders through our vendors ship fast (crucial if a machine is down).
- Cyber preventions - Our employees are trained on the best cybersecurity practices and cyber security prevention services is included in every plan.
- Computer support - We can maintain your existing computers including updating software and replacing hardware as needed. Our live dispatcher will take your support calls 99% of the time during business hours, and our plans also include after hours support.
- Consistent service - We regularly check in with our clients via quarterly or annual Technology Business Reviews (TBR)
- Inclusive options - Our plans offer a best in class technology experience for clients, it's like investing in a full scale IT department for your business without any of the overhead necessary to maintain it, we handle your IT so you can handle your business

Thank you for taking the time to read this packet, for more assistance in choosing technology services that are right for you, reach out to us directly via the contact information below.



Contact

VALLEY TECHLOGIC, INC

111 Business Park Way, Atwater CA 95301

209-357-3121

www.valleytechlogic.com

sales@valleytechlogic.com

@Valley Techlogic