
8 Tips for Preparing Your IT Budget

While some small businesses do not bother with budgets, they can be quite useful. Besides helping you manage costs, a budget can highlight areas where you might need to invest more resources. It can also keep you on track in meeting your financial goals.

Here are eight tips that can help you prepare an effective IT budget:

1. Take the Time

An IT budget is not something you can throw together in a day. It takes time and thought to create one that will help your company grow. It also requires input from your management team, as your IT systems are likely being used in many different areas of your business.

Further, an IT budget is not something you should file away and forget about once it is created. You should take time each month to check and update your budget as needed.

You should take time each month to check and update your budget as needed.

2. Look to the Present and Past to Predict the Future

A good way to begin your IT budget is to create a baseline budget that shows your IT expenses and income for the current year. You can then adjust it to account for anticipated changes next year. Examining your IT budgets from previous years can give you an idea of how variable revenue and costs have fluctuated from month to month, quarter to quarter, and year to year.

3. Do Not Try to Budget Down to the Last Cent

IT budgets are designed to only estimate where money will be coming in and going out. They are not accounting ledgers, so you do not need to account for every last cent.

Because you are just estimating your IT expenses and revenue, do not be surprised if your projections are wrong. You can adjust them as needed when you review your budget each month.

4. Align Your IT Budget with Your Company's Strategic Goals

IT systems can help or hinder a company's efforts to meet its strategic goals. For example, meeting the goal of improving customer retention is more easily achievable with a fast, reliable web ordering system than a slow, quirky one. Budgeting IT improvements in areas that support your company's strategic goals will help turn IT into a profit center rather than a cost center.

5. Budget for Hardware and Software Updates and Replacements

Many companies have outdated hardware and software because they do not keep track of when these resources should be updated or replaced. As a result, employees often use them until they fail. These failures can lead to many other problems, including lost productivity, security risks, and even system downtime.

A better approach is to use an asset management system to track when hardware and software need updates or are approaching the end of their life. That way, you can budget for upgrades and replacements. This will help you avoid the additional costs and hassles of dealing with failed hardware and software.

6. Invest in Measures That Will Improve Security

Cybercrime is on the rise, as studies by [Symantec](#) and [ThreatMetrix](#) show. However, many companies do not adequately invest in IT security.

A [Spiceworks study](#) found that 59 percent of IT professionals feel their organizations do not adequately invest in IT security. This is corroborated by the finding that those organizations plan to spend only 9 percent of their software budget, or 6 percent of their total budget, on security measures in 2016. Given the prevalence of cybercrime, spending more on security measures is a wise investment.

7. Do Some Calculations before Treating Cloud Costs as Operational Expenses

A [Computer Economics study](#) found that 56 percent of organizations plan to increase spending on cloud applications. In budgets, companies often list cloud costs as operational expenses so that they can increase or decrease them as needed. This gives companies more flexibility to meet financial goals. However, if you plan to use a cloud application for many years, it might be cheaper in the long run to treat the cloud costs as a fixed amortization expense.

8. Do Not Postpone or Cancel IT Training to Reduce Costs

Training is a discretionary expense in budgets, so companies often schedule IT training later in the year. That way, if they need to reduce costs, they can simply delay or cancel the training and remove that cost from the budget. However, delaying or canceling IT training can lead to more problems down the road, especially if it is security-related training for employees.