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## **Budgeting & Forecasting Basics: Build a Rolling 12-Month Model**

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- **Justin Muscolino - JTM Compliance Training**
- **Michael J DeBlis, III, Esq. - DeBlis & DeBlis Law Firm**

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**5301 North Federal Highway, Suite 150, Boca Raton, FL 33487**  
**Phone 561-241-1919**



# Budgeting & Forecasting Basics: Build a Rolling 12- Month Model

Speaker: Justin Muscolino,  
*JTM Compliance Training*



## Justin Muscolino

Justin brings over 20 years of wide-ranging experience in compliance training and regulations. He previously led the compliance training function for JPMorgan Chase Macquarie Group, UBS, Bank of China, and GRC Solutions. Justin also runs his own compliance training company focusing on US & International regulations providing real-life training.

Justin also worked for FINRA, a US regulator, where he created Examiner University to train examiners on how to perform their function. He also serves as an advisor for the Global Compliance Institute (GCI) and instructs at the Barret School of Business and various compliance training providers.



# Agenda

- Introduction: Why traditional budgets fall short
- Benefits of rolling 12-month forecasts
- Step-by-step model-building process
- Variance analysis and performance insights
- Best practices and implementation strategies

# The Importance of Financial Planning

- Financial planning drives business clarity and control
- Budgets guide decision-making and spending priorities
- Forecasts anticipate future risks and opportunities
- Aligns leadership around financial goals and actions
- Provides accountability across departments and teams



## Limitations of Traditional Budgets

- Fixed budgets quickly become outdated in changing conditions
- Lack flexibility to adjust for new business realities
- Encourage short-term thinking and rigid targets
- Miss opportunities arising midyear or post-planning
- Often fail to reflect operational performance accurately

# Why Shift to Rolling Forecasts

- Provide continuous visibility into future financial outcomes
- Adapt easily to evolving business environments
- Extend forecasting horizon by one month each cycle
- Support proactive planning and informed decision-making
- Improve accuracy over static annual projections

## Understanding a Rolling 12-Month Model

- Always projects a full year ahead of today
- Replaces the oldest month with the newest actuals
- Combines forecasting and performance tracking seamlessly
- Encourages ongoing evaluation and adjustments
- Keeps leadership focused on future performance drivers

## Core Components of a Rolling Model

- Revenue and expense drivers form the model foundation
- Assumptions define expectations and financial relationships
- Input sheets feed into financial projections automatically
- Reporting dashboards summarize results and trends
- Continuous updates ensure real-time financial accuracy

# Identifying Key Business Drivers

- Recognize metrics directly influencing financial outcomes
- Focus on sales volume, pricing, and cost drivers
- Link operational data to financial assumptions clearly
- Align drivers with company strategy and priorities
- Avoid unnecessary complexity that clouds insights

## Building a Baseline Budget

- Start with last year's financial results as foundation
- Adjust for known changes and confirmed assumptions
- Establish expense categories and revenue streams clearly
- Include contingency reserves for uncertainty management
- Ensure consistency with strategic and operational goals

## Transitioning to a Rolling Forecast

- Extend your baseline by one new month monthly
- Replace outdated projections with actual performance data
- Maintain consistent structure for comparability across periods
- Review assumptions based on current market information
- Keep all stakeholders informed during each update cycle

## Updating with Actual Performance Data

- Import monthly results into your forecast model promptly
- Compare forecasts with actuals for each key metric
- Identify material deviations needing management review
- Adjust assumptions to improve future forecasting accuracy
- Document changes for audit trail and transparency

# Conducting Variance Analysis

- Evaluate differences between budgeted and actual results
- Categorize variances as favorable or unfavorable impacts
- Analyze root causes driving performance deviations
- Highlight trends requiring corrective management action
- Use findings to refine forecasts and planning assumptions

## Interpreting Variances for Better Decisions

- Identify cost overruns or underutilized budgets early
- Spot revenue growth opportunities or demand weaknesses
- Understand timing differences affecting cash flow patterns
- Support timely, data-driven leadership interventions
- Translate insights into updated operational strategies

# Cash Flow and Resource Planning

- Integrate forecasting with cash flow management routines
- Predict liquidity needs and working capital requirements
- Guide investment timing and expenditure prioritization
- Balance short-term needs with long-term financial goals
- Prevent funding gaps and enhance financial stability

## Leveraging Technology and Tools

- Use Excel or financial software for dynamic modeling
- Automate updates and data integrations where possible
- Implement scenario analysis for decision flexibility
- Utilize dashboards for visualization and quick insights
- Ensure model accuracy through version control processes

## Simplifying Model Design

- Keep formulas transparent and easy to maintain
- Avoid unnecessary complexity or excessive data inputs
- Focus on material financial drivers and relationships
- Create standardized templates for organization-wide use
- Document model logic for training and continuity

## Ensuring Flexibility and Scalability

- Design models adaptable to business growth changes
- Accommodate structural shifts and market adjustments
- Use modular layouts to add or remove elements
- Support multiple business units or product lines
- Allow scenario testing for different planning environments

# Communicating Forecasts Effectively

- Present results clearly to leadership and stakeholders
- Use visuals and summaries for quick comprehension
- Explain assumptions and methodology behind projections
- Highlight key risks and performance sensitivities
- Foster collaboration through transparent financial reporting

## Common Pitfalls to Avoid

- Overcomplicating models with unnecessary data layers
- Ignoring actuals when updating rolling forecasts
- Failing to validate assumptions against market data
- Treating forecasts as static instead of dynamic tools
- Neglecting team involvement and ownership responsibilities

# Best Practices for Rolling Forecasting

- Update monthly with disciplined, repeatable processes
- Focus on key performance indicators that matter most
- Involve cross-functional input for balanced assumptions
- Regularly review forecast accuracy and improvement areas
- Align model with broader strategic and financial objectives

## Real-World Application Examples

- Mid-size firm improving cash flow predictability significantly
- SaaS company aligning hiring with revenue growth trends
- Manufacturer managing inventory based on rolling demand
- Nonprofit achieving stronger grant and expense forecasting
- Retailer adapting faster to seasonal market fluctuations

## Key Takeaways

- Rolling models enhance agility and financial insight
- Continuous forecasting outperforms static annual budgets
- Variance analysis drives smarter, faster business decisions
- Keep models simple, flexible, and strategically aligned
- Empower leadership with real-time financial foresight

# THANK YOU!

Contact Information:  
JTM Compliance Training  
[Justinmuscolino@gmail.com](mailto:Justinmuscolino@gmail.com)

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