

Private Practice Startup Financial Checklist for Therapists

Designed for mental health professionals starting or transitioning into private practice

Opening your own practice is exciting, but the financial details can pile up quickly. This checklist walks you through the essential steps to set up your practice on solid ground and avoid costly mistakes.

Business setup

- ☐ Choose and register your business entity (LLC, S-Corp, or sole proprietorship — requirements differ by state)
- ☐ Apply for an Employer Identification Number (EIN) with the IRS
- ☐ Open a dedicated business bank account and credit card for practice use only
- ☐ Obtain required state professional licenses and local business permits (some cities require both)

Accounting & taxes

- ☐ Choose a bookkeeping system (QuickBooks, Xero, or CPA-prepared spreadsheets — 2025 versions now include HIPAA-friendly integrations)
- ☐ Set up a chart of accounts tailored to therapy practices (track CEUs, supervision, office rent, EHR software, etc.)
- ☐ Track income and expenses separately from personal funds — no commingling, even if you're a sole proprietor
- ☐ Plan for 2025 quarterly estimated tax deadlines:
 - April 15
 - June 16 (15th is a Sunday in 2025)
 - September 15
 - January 15, 2026

Insurance & compliance

- ☐ Obtain professional liability (malpractice) insurance — required for most credentialing panels in 2025
- ☐ Review options for general liability and cyber liability insurance (increasingly important with telehealth growth)
- ☐ Prepare HIPAA-compliant consent forms and Notice of Privacy Practices; many states updated forms in 2024, so confirm 2025 compliance
- ☐ If hiring contractors or employees, collect W-9s or W-4s and verify payroll compliance (new 2025 withholding tables are in effect)

Billing & payments

- ☐ Select a practice management or EHR system with integrated billing and telehealth tools
- ☐ Decide whether to panel with insurance, remain private pay, or use a hybrid model — reimbursement rates shifted in 2024–2025 for some states
- ☐ Set up systems for copays, deductibles, and late fee collection (clarify policies in client agreements)
- ☐ Connect your billing platform or EHR directly to your business bank account to streamline deposits

Planning ahead

- ☐ Create a first-year budget to project expenses (rent, supervision, EHR, liability insurance, CEUs, marketing) vs. income
- ☐ Set aside 25–30% of income monthly for taxes and savings, adjusted to your tax bracket
- ☐ Explore retirement plan options for self-employed providers:
 - SEP IRA (higher contribution limits, simple to set up)
 - Solo 401(k) (more flexible, includes Roth option in 2025)
 - Roth IRA (income limits apply; check 2025 thresholds)

Designed for mental health professionals

- Therapists in private practice
- Psychologists
- Licensed clinical social workers
- Professional counselors
- Marriage and family therapists
- Any self-employed or 1099-based mental health provider

Final reminder

Start your practice with the right financial systems in place. Taking care of licensing, banking, taxes, and billing early on saves you from expensive clean-up later.

Questions? We help therapists across the country launch and grow practices with solid bookkeeping and tax strategies from day one.

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