Penny production at its cheapest in 7 years

By Joe Deaux
Bloomberg

STEPHEN HILGER | Bloomberg

Pennies at the U.S. Mint in Philadelphia in 2007. While the billions of new U.S. pennies put into circulation every year still cost more to make than they are worth, the government is catching a break from the collapse in metals prices.

A penny just got a little cheaper. Making it, that is.

While the billions of new U.S. pennies put into circulation every year still cost more to make than they are worth, the government is catching a break from the collapse in metals prices. Each one-cent coin — made almost entirely of zinc — cost 1.43 cent to produce last year, down 14 percent from a year earlier and the lowest since 2008, according to data from the U.S. Mint. As recently as 2011, the price tag was 2.41 cents. Since then, zinc prices fell 34 percent from a peak as demand slowed in China, the world's biggest buyer.

The last time a penny cost what it was worth was in 2005. While the Mint doesn't foresee breaking even on the coin, cheaper metal last year helped to boost output 16 percent to 9.155 billion pennies. For taxpayers, that meant the United States made 1.235 billion more pennies for about $555,000 less than it spent a year earlier.

Made almost entirely of copper until 1982, the coin is now 97.5 percent zinc, a metal used mostly to help prevent rust and found in all sorts of products, from electronics to paint to sunscreen.

"If you look at zinc, specifically with respect to the penny, it's very clear that you're in a bear market, continuing to hit new lows," said Adam Sarhan, the chief executive officer of Sarhan Capital in Bay Hill, Florida. "Demand is waning across the globe, and until we see a bullish catalyst, the path of least resistance is remaining lower for the foreseeable future."

That would be good news for coin makers, including the U.S. Mint, which used about 25,358 metric tons of zinc to make pennies last year. On Jan. 12, zinc tumbled to a six-year low of $1,444.50 a ton on the London Metal Exchange, after a 26 percent plunge in 2015 that was the biggest annual decline in seven years. Prices had recovered to $1,725 on Thursday.

Low zinc costs may not last. Global demand outpaced production by 50,000 tons in 2015, and the market will see a deficit this year of about 53,000 tons, forcing manufacturers to draw down inventories, according to analysts at RBC Capital Markets. The bank forecasts a "modest" rebound in demand this year and next, after a slowdown in 2015. Zinc will average about $1,984 this year, the RBC estimates.

High costs have helped fuel a long-running debate about whether the U.S. should abandon the penny. Zinc reached a record $4,580 a ton in 2006, and even though prices have dropped, the average since then is more than $2,100. The Mint has been losing money on each new coin for a decade. President Barack Obama added to the pressure in 2013, when he said the penny was a "good metaphor" for some larger problems of government.

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Americans for Common Cents, an organization whose primary sponsors include Jarden Zinc Products, argue that the penny still has benefits. Without a one-cent coin, product prices would be rounded up to the nearest nickel, which might hurt working families, said Mark Weller, the group's executive director.

Opponents first raised the prospect of abandoning the coin in 1990 — well before the Mint started producing the penny at a loss. At the time, a lobbying group that included the copper industry was fighting to replace the paper dollar with the dollar coin, but the proposal wasn't catching on. Group members speculated the problem might be that there wasn't enough room in cash registers, so they proposed abandoning the penny to free up space, Weller said.

"There's always going to be a need for cash and for coin, and the Federal Reserve's surveys tell us that there's over 10 million Americans who are unbanked or underbanked," Weller said. "Not only will you have an overall rounding tax on the economy if you didn't have the penny around, but you would have a disproportionate impact on those that could least afford it."

Under terms of a long-term contract, Jarden Zinc Products in Greeneville, Tennessee, supplies penny blanks that the Mint stamps with the images of President Abraham Lincoln on one side and a union shield on the other. The cost of the blanks is based on a fixed fabrication charge and the previous month's average spot price for zinc traded on the LME and copper on the Comex in New York, Michael White, a U.S. Mint spokesman, said in an email. The Mint doesn't provide information on its fixed fabrication charge.

"We are happy any time we can take advantage of the market for the benefit of the American taxpayer," White said.

Tax mistakes millenials should avoid making

By Stefanie O'Connell
GOBankingRates.com

Millennials are in a life phase of ongoing change and evolution — from students to graduates to independents to spouses. Navigating the in-betweens of these milestones is no cakewalk.

In addition to the standard financial commitments that accompany such milestones, millennials must remain mindful of how their ever-shifting circumstances influence their tax obligation. Here are three common tax mistakes millennials should watch out for.

Filing as a dependent when you're independent (and vice versa)

When it comes time to file your taxes, it's worth it to double-check with your parents before signing on the dotted line. If you still live at home or get any kind of financial assistance from your parents, be certain that you've elected the right filing status.

Parents can claim qualifying children under age 19 as dependents, or under age 24 if they are still students, according to the IRS. If your parents claim you as a dependent on their tax return, you cannot claim your personal exemption on your income tax return. Instead, check the box indicating that someone else can claim you as a dependent.

On the flip side, millennials might check this box and file as a dependent when they should instead file as independent, missing out on the opportunity to reduce their taxable income. The personal exemption amount changes every year, but for tax year 2015, the amount is $4,000. That $4,000 personal exemption might be just the ticket some millennials need to finally get ahead financially.

Skipping out on signing up for health insurance

People age 26 to 34 are the most uninsured of all age groups, with around 21 percent not having insurance, according to a recent Gallup-Healthways survey. Under the new health care law, millennials who go without health insurance will have to pay a hefty penalty when they file their returns. Those who can afford health insurance but don't buy it must pay what's known as an individual shared responsibility payment, according to HealthCare.gov.

> You might be able to deduct student loan interest payments up to $2,500 on a qualified student loan, according to the IRS.

In 2015, the penalty is the higher of:

- 2 percent of your household income

OR

- $325 per adult
- $162.50 per child under 18

The only way around the non-coverage penalty is to qualify for an exemption by having a household income that's less than 8.05 percent of the lowest-cost bronze level marketplace plan. If find yourself stuck paying the non-coverage penalty, the IRS will hold back the amount of the fee from any future tax refunds. There are no liens, levies or criminal penalties for failing to pay the fee.

Forgetting to deduct student loan interest on tax returns

One of the ways the U.S. government supports higher education is by giving those with student loans a tax break based on how much interest they've paid over the course of the year. Unfortunately, millennials, the student loan poster children, might forget to claim this deduction.

You might be able to deduct student loan interest payments up to $2,500 on a qualified student loan, according to the IRS. Like most deductions and credits, there is an income limit to claim this deduction — your modified adjusted gross income can't be over $80,000, or $160,000 if filing a joint return. Millennials should also know that they don't have to file an itemized return in order to qualify for this deduction.

Stefanie O'Connell writes for GOBankingRates.com, a leading portal for personal finance news and features, offering visitors the latest information on everything from interest rates to strategies on saving money, managing a budget and getting out of debt.

Three big tax mistakes made by baby boomers

By Barbara Friedberg
GOBankingRates.com

Baby boomers nearing retirement can't afford to make tax mistakes. Instead, they need to shore up their capital for the future. The penalties for making these tax mistakes include triggering an audit, incurring a penalty and owing additional taxes.

Here are the three biggest tax mistakes made by baby boomers. As you file your 2015 tax return, take care to avoid these missteps.

Not checking the preparer's work

In a small study of randomly selected tax preparers in 2014, the U.S. Government Accountability Office reported "significant preparer errors during undercover site visits to 19 randomly selected preparers." The refund errors ranged from giving the taxpayer $52 less to $3,718 more than the correct refund amount, with only two of the 19 preparers calculating the refund amount properly.

That is why you must not trust your tax preparer — or even a computerized program — to get your return right. Instead, baby boomer taxpayers should be sure to tell their accountant about major life changes that might affect their tax situation, said Crystal Stranger, an enrolled agent and president of online preparer 1st Tax. Trusting the tax preparer to know it all "can lead to both unreported income and not taking advantage of tax deductions they are legally entitled to," she said.

Not maxing investing opportunities

For working baby boomers, now is the time to shore up your retirement nest egg. Not contributing the maximum to your tax-advantaged retirement accounts can cost you large sums of taxes today, as well as lost spending money in retirement. Furthermore, if it's a choice between helping out your older children or saving for your own retirement — choose retirement.

If you're over age 50, you're eligible to contribute to your workplace 401(k) or 403(b) a base amount of $18,000, plus an additional "catch-up" sum of $6,000, for a total of $24,000. If you're in the 25 percent tax bracket, then contributing the maximum reduces your taxable income by the same amount and reduces your tax bill by $6,000.

You might also go beyond investing in your workplace retirement plan and consider an IRA, suggested Yvette D. Best, CEO of Best Services Unlimited LLC. For 2015 and 2016, individuals over 50 can contribute up to $6,500 to a traditional IRA for a full tax deduction, even if they are covered by a retirement plan at work.

This applies to individuals earning under $61,000 and couples making under $98,000. There is a partial deduction allowed for income between $61,000 and $71,000 for singles and between $98,000 and $118,000 for couples. "This deduction can result in thousands of dollars saved on your tax bill," said Best. "You have until April 18, 2016, to avoid the tax mistake of not contributing the maximum to your retirement account."

Consider this scenario: Invest just $1,000 per month beginning at age 50, and by age 68 you might have a retirement account worth over $430,000. That assumes your investments yield an annual 7 percent return from a diversified stock index mutual fund. Not only will saving in a tax-advantaged account save you thousands on your tax bill, but it will also strengthen your retirement opportunities.

Messing up business reporting

Many baby boomers are starting new businesses or have up-and-running entrepreneurial ventures. If you treat the expenses from these concerns inappropriately, then you could owe Uncle Sam not only additional taxes, but penalties as well.

If you're starting a new business and racking up expenses, you might not be aware that any expenses incurred before the first sale are considered startup costs and can't be deducted until the first sale, said accountant Gail Rosen. After the first sale, the startup costs can be deducted over 15 years, and you can also elect to deduct the first $5,000 in the first year of business.

Another baby boomer tax mistake is made by those who have small business sales. They might think the income is so small that it's not worth reporting. "If it is a real sale, at a bona fide sales price, you should report your business sales and deduct your business expenses," said Rosen.

Barbara Friedberg writes for GOBankingRates.com, a leading portal for personal finance news and features, offering visitors the latest information on everything from interest rates to strategies on saving money, managing a budget and getting out of debt.

One more thing...

EVERY DAY, we are bombarded with advice on how to adequately save and accumulate investments for our retirement future. Hopefully, many of you have taken notice and you are now on your way to financial security.

JOHN BURDETTE

Many things in life, unfortunately, are out of our control. How can we protect our hard work against these events? Insurance is the answer. Insurance lets us transfer the financial risks associated with death, disability or health to an insurance company, giving your financial plan a degree of certainty.

I would like to focus on life insurance because I see a lot of confusion about the appropriate use of term versus permanent plans. The rule of thumb I like to use is this: Term insurance is used to create an estate and permanent insurance is used to protect an estate. The majority of families, and certainly the vast majority of young families, likely fall in the "create" an estate group. This group hasn't completed the funding of their financial goals and they are currently depending on earnings from working to meet living expenses.

I will use my own family as an example of where, I believe, term insurance is appropriate. I am in my forties, married with three children ages 9, 12 and 16. Over the years, we have made investments and we are on track to reach the goals we have laid out for our future.

However, we are not there yet. It will take 20 more years of earnings and investing to completely fund three sets of braces, college educations, weddings — not to mention retirement. If something were to happen to me too, I would want to make sure my family would be able to accomplish all of the plans we had laid out.

As you can see, the bulk of our insurance need lies within a 20-year time horizon. After the children are grown and our retirement funding needs have been met, the need for insurance is greatly diminished. This is why I personally elected to purchase a 20-year term policy that ensures these needs are met over the time period necessary.

By selecting a term policy, my premiums are much lower than permanent coverage because I am only buying insurance over the period I need it the most. The money I save on these premiums can be used to fund additional investments for the future.

Permanent insurance has its place and can be a powerful planning tool when used properly. If you pay the premiums on a permanent policy, the insurance company will pay the death benefit to your beneficiaries without a term limit or expiration. This makes permanent insurance a good choice for funding needs that you won't outgrow.

Maybe you have a valuable business and the insurance will create funding for an employee to purchase it at your death. This will ensure that your family will get the value of your business and not be burdened with its operation or sale upon your death. This is a permanent need that will persist until your death. The certainty of permanent coverage may make since for this purpose.

Insurance options can seem confusing at times. Before you sign up for coverage, think clearly about what you are trying to protect against so you don't end up paying for coverage that is not needed. Insurance is a foundational item in your financial plan. Without it, we can never be certain that our goals will ultimately be fulfilled.

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