It’s been quite a year at SLFCU. From technology upgrades to member milestones, SLFCU continues to grow and serve our membership and communities. It’s hard to imagine that SLFCU employees Debra Aragon and Kim Thompson, who both began their Credit Union careers in the 1970s, initially performed their jobs without the use of computers. It certainly puts our seven decades of progress in perspective, having completed several important projects in 2018, including a new online banking system and mobile app and our upgraded transactional system. These upgrades were not only cost-efficient, but also mark critical steps in our ability to provide SLFCU members with relevant features and functions, now and into the future.

Also in 2018, SLFCU welcomed Keely Dobbs, our 100,000th member. She and her husband, Danny Hart, are part of New Mexico’s thriving arts community. We are proud that they chose SLFCU to serve their business, Danny Hart Design, as well as their personal financial needs.

Assisting our members in reaching their goals is always at the heart of what we do. Over the years, our Business Services team provided family-owned business Los Poblanos Historic Inn & Organic Farm with financing to renovate and expand their Albuquerque operations. They recently completed renovations at the end of 2017, which helped them prepare for guests over the course of 2018. And our mortgage lending team collaborated with SNL Livermore to create a more affordable way for Sandia/California employees to purchase a home. We are hopeful that SLFCU’s new low down payment option will make purchasing a home a reality for our Sandia/California families. Read these stories and more in the 2018 SLFCU Annual Report.

Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$2,548,765,000</td>
<td>$2,474,652,000</td>
</tr>
<tr>
<td>Loans</td>
<td>1,362,059,000</td>
<td>1,244,776,000</td>
</tr>
<tr>
<td>Investments</td>
<td>986,575,000</td>
<td>1,011,908,000</td>
</tr>
<tr>
<td>Members’ Share Accounts</td>
<td>2,264,167,000</td>
<td>2,207,602,000</td>
</tr>
<tr>
<td>Reserves and Undivided Earnings</td>
<td>299,671,000</td>
<td>277,268,000</td>
</tr>
<tr>
<td>Gross Income</td>
<td>86,569,000</td>
<td>79,117,000</td>
</tr>
<tr>
<td>Dividends Earned by Members</td>
<td>14,627,000</td>
<td>12,914,000</td>
</tr>
<tr>
<td>Net Income</td>
<td>22,403,000</td>
<td>21,472,000</td>
</tr>
</tbody>
</table>

You may pick up a copy of our annual report at any branch beginning February 22.

Increase in Debit Card Fraud

Financial institutions across the country have noticed a recent increase in debit card fraud. SLFCU has observed an increase in fraudulent transactions on SLFCU debit cards and has taken measures to safeguard our members’ accounts.

What should you do?

- If you receive a call regarding a blocked transaction on your debit card, please call 888.241.2440 to speak to Card Member Security to review your transactions. If you discover fraudulent transactions, please call 505.293.0500 or 800.947.5328 to speak to an SLFCU representative.
- Monitor your account closely using online or mobile banking, or our automated phone system.
- Call us immediately if you notice any fraudulent activity or need to report your cards as lost or stolen. During SLFCU business hours, call at 505.293.0500 or 800.947.5328. After business hours please call 888.241.2510.

Help protect your card from fraud

SLFCU members have the ability to lock, set controls, and receive alerts for their SLFCU debit cards by using a mobile app. The CardNav℠ app is available for personal and business debit cards. Learn more at slfcu.org/DebitCard.

SLFCU Annual Meeting

February 21, 2019
5:30 - 7:00 p.m.
Sheraton Albuquerque Uptown

Please join us for our Annual Meeting. As an SLFCU member, this is your opportunity to learn about your Credit Union’s performance in 2018. We will also announce the new SLFCU Board members for 2019. SLFCU team members will be on hand to answer any questions. All attending members will be entered into drawings to win prizes such as $100 gift cards or $250 cash awards. Refreshments will be provided.

Book Drive at NM Branches

SLFCU branches in New Mexico will accept new and gently used children’s books (K-5 in English, Spanish, and bilingual) through March 29 for the Read to Me Book Drive. The books are distributed through 90 schools and community groups, impacting thousands of children and their families.
In November 2018, SLFCU welcomed our 100,000th member, Keely Dobbs. As a wife, veteran, mother of three, business partner, and soon-to-be student in the UNM Physician Assistant program, extra time is often hard to find. However, according to Keely, joining the right financial institution couldn’t have been easier.

The road to SLFCU membership for Keely and her husband, artist and designer Danny Hart, began at a local community event in Albuquerque showcasing restaurants, artists, and other local small businesses. “We had a booth at the event, and SLFCU Business Services employee Nathaniel Armendariz approached us and asked if we had heard of Sandia Laboratory Federal Credit Union,” said Keely. Over the last several years, Keely and Danny had developed Danny Hart Design, a business focused on Danny’s handmade, one-of-a-kind pieces of jewelry, accessories, furniture, and lighting fixtures crafted out of wood and metal.

The business had grown organically and was doing well, which led Keely and Danny to begin thinking about getting their business accounts in order. What ultimately shaped their decision to join SLFCU was the Credit Union’s reputation in the community as well as Nathaniel’s enthusiasm to go above and beyond for their business. “We knew that a big bank was not in our future. We definitely shopped around but we kept hearing that SLFCU was the best option,” said Danny. Additionally, Nathaniel’s willingness to help set everything up and to support their business’ goals made them confident in their choice.

In regard to being the 100,000th member, Keely says, “The universe was definitely managing the timing. Nathaniel made things fast and easy. It’s so great to have the Credit Union here to grow with us.”

As a milestone member, Keely was celebrated in the Juan Tabo branch in January. She received a $100 deposit into her account, in addition to a Sandy the Lab stuffed animal, flowers, balloons, and a $100 donation made in her honor to the New Mexico Credit Unions Connected Academy, which is raising money to provide a teacher for patients admitted to the pediatric unit at UNM Hospital.

Tax Documents Available Online

Tax documents from 2017 and 2016 are available in online banking; 2018 forms will appear as they are generated through April. SLFCU will continue to mail these forms as well.

Deposit Your Tax Refund

It’s important that the account numbers you use for direct deposit services are in a specific format so funds are deposited to the correct account. Please use the following information when setting up a direct deposit:

Sandia Laboratory Federal Credit Union’s routing number: 307083911

To deposit your refund into a savings account:

If you’d like to deposit your tax refund check to your savings account, use the account number and the product ID for that account. For example, if your savings account number is 1234567, and you would like the deposit to go to your 0002 savings account, enter your account number as 12345670002.

To deposit your refund into a checking account:

In online or mobile banking, select the Accounts widget and click on the checking account for which you’d like to set up the direct deposit. Then, select the Account Details tab and look for the “Auto WD & Direct Deposit #.”

You can also use the number printed on the bottom of your checks as shown in the image to the right. The automatic withdrawal and direct deposit account number is in the yellow box in the middle of the check. Please note: the last number string – 01001 – in the image below is the number of that individual paper check and should not be used. SLFCU’s routing number is in the red box.

Important details about tax refunds:

• When setting up a direct deposit for your tax return, specify if the account is savings or checking.

• All named recipients on the refund check must be owners or joint owners of the specified SLFCU account. A person who is not a joint owner on the account cannot deposit their refund check into your SLFCU account.

If you need help with your tax refund direct deposit, call 505.293.0500 or 800.947.5328.

Visit slfcu.org/TaxHelp.

• Turbo Tax Discount
• Direct Deposit Information
• IRA Contribution Deadlines
• Taxpayer Resources
**Is Now the Right Time to Go Roth?**

Some say yes, pointing to the recent federal tax reforms.

Presented by the MEMBERS Financial Services Program* at SLFCU

---

**Will future federal income tax rates be lower than they are today?**

Given the outlook for Social Security and Medicare, it is hard to imagine them falling. Higher federal income taxes could be on the horizon, as the tax cuts set by the 2017 reforms are scheduled to sunset at the end of 2025.

In addition, the federal government is now using a different yardstick, the chained Consumer Price Index, to measure cost-of-living adjustments in the federal tax code. As a consequence, you could find yourself in a higher tax bracket over time even if current tax rates remain in place.

**This may be an ideal time to convert a traditional IRA to a Roth IRA.** A Roth IRA conversion is a taxable event. If you have a traditional IRA, you may be thinking twice about converting it. If the IRA is large, the taxable income linked to the conversion will be sizable, placing you in a higher tax bracket for the conversion year. Still, that may be a small price to pay. A jump in your taxable income for the year of the conversion may be a headache – but it is short-term. Consider the merits and perks and keep in mind any taxpayer can make a Roth conversion, even a taxpayer whose high income precludes the chance of creating Roth IRA.2

Generally, you can take tax-free withdrawals from a Roth IRA once it has been in existence for five years and you are age 59½ or older. If you end up retiring before 65, tax-free and penalty-free Roth IRA income could be very helpful.2

You can also contribute to a Roth IRA throughout your life, provided you earn income and your income level is not high enough to limit your contributions. In contrast, a traditional IRA does not permit contributions after age 70½ and requires annual withdrawals once you reach that age.2

Lastly, a Roth IRA is convenient in terms of estate planning. Roth IRA assets transfer to your heirs without being taxed.2

A Roth IRA conversion need not be “all or nothing.” Some traditional IRA owners elect to convert just part of their traditional IRA to a Roth, while others choose to convert the entire balance over multiple years. Converting over multiple years allows you to better manage the taxable income stemming from the conversions.3

You can no longer undo a Roth conversion. The Tax Cuts & Jobs Act removed the option to “recharacterize” a Roth – that is, to turn a Roth IRA back to a traditional IRA. Since this do-over is no longer allowed, consider your options carefully.1

**Don't Get Hooked by a Phishing Scam**

It’s unfortunate, but scammers are working harder than ever to fool consumers. One of the tricks of the trade is referred to as phishing, defined as the fraudulent practice of sending emails or making telephone calls pretending to be from reputable companies or in order to induce individuals to reveal personal information, such as passwords and credit card numbers.

Credit Union members are often contacted by these criminals. The following tips will help you to avoid phishing and take avoiding the bait.

According to SLFCU Risk Manager Rachel Dimas, “While we will ask questions to ensure we are speaking with the correct account holder, we will never ask for PINs or passwords for their accounts.”

Rachel adds, “SLFCU might call a member directly, particularly if there appears to be suspicious activity (transactions) on an account.” SLFCU Card Services Manager Jeff Morris explained that if the Credit Union does call you, it will be to identify specific information on transactions. “If the call seems suspicious, simply say no, do not feel comfortable answering questions, hang up and call the Credit Union or cardholder services using the number on the back of your SLFCU credit or debit card to confirm.”

Finally, Rachel suggests every SLFCU member be the first line of defense against fraud. “Don’t rely on others to do this job for you. Monitor your accounts and transactions regularly. If you have online access to your accounts, it’s even better to not wait for your paper statements and check your statements immediately. Also, use the free annual credit report services available to all consumers at annualcreditreport.com as well as educational resources from the Federal Trade Commission. We always refer our fraud victims to consumer.ftc.gov for consumer fraud education and victim resources. A big thing to keep in mind is that social media is one of the largest platforms where fraudsters look for information. Be careful when using these platforms and familiarize yourself with their security.”

---

* Representatives are neither tax advisors nor attorneys. For information regarding your specific tax situation, please consult a tax professional. For legal questions, including a discussion about estate planning, please consult your attorney. Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution. CUNA Brokerage Services, Inc. is a registered broker/dealer in all 50 states of the United States of America. FR-2374873-0119-0221

**Citations**

2. fidelity.com/building-savings/learn-about-iras/convert-to-roth [8/27/18]
IRA Contributions Deadline

Plan Extra Time to Provide Your Signature
If you are planning to make a 2018 IRA contribution in 2019, please allow ample time for SLFCU to generate the paperwork, obtain your signature, and process your transaction before the tax filing deadline in April. Although SLFCU can collect IRS-required signatures electronically, it’s best not to wait until the tax filing deadline, when volume may be high.

College Scholarship Opportunity for New Mexico Students
The New Mexico Credit Union Education Foundation (NMCUEF) is accepting scholarship applications for the 2019-2020 school year. Applicants must be New Mexico residents with a minimum 2.8 GPA and enrolled full-time as a college undergraduate at an accredited institution in New Mexico. The scholarship application is available at cuanm.com/scholarships. Completed applications must be submitted and postmarked to the NMCUEF by February 22, 2019. Please note: SLFCU cannot accept applications.

Dollars & Sense
70 Years of SLFCU Growth and Transformation
Increase in Debit Card Fraud
SLFCU Reaches 100,000th Member Milestone

On the Calendar

Presidents’ Day
Monday, February 18 • All Branches Closed

Annual Meeting
Thursday, February 21, 5:30 p.m. (MT)
Sheraton Albuquerque Uptown
2600 Louisiana Blvd NE, Albuquerque

Livermore Annual Social
Tuesday, March 12, 5:30 p.m. (PT)
Robert Livermore Community Center
4444 East Avenue, Livermore

All members are invited to attend the Annual Meeting and/or Annual Social. Refreshments will be provided.

Save for the future.
At the speed of life.
Encourage kids to develop good savings habits.
Visit slfcu.org/SavingsLaboratory.

College Scholarship Opportunity for New Mexico Students
The New Mexico Credit Union Education Foundation (NMCUEF) is accepting scholarship applications for the 2019-2020 school year. Applicants must be New Mexico residents with a minimum 2.8 GPA and enrolled full-time as a college undergraduate at an accredited institution in New Mexico. The scholarship application is available at cuanm.com/scholarships. Completed applications must be submitted and postmarked to the NMCUEF by February 22, 2019. Please note: SLFCU cannot accept applications.

Dollars & Sense
70 Years of SLFCU Growth and Transformation
Increase in Debit Card Fraud
SLFCU Reaches 100,000th Member Milestone

On the Calendar

Presidents’ Day
Monday, February 18 • All Branches Closed

Annual Meeting
Thursday, February 21, 5:30 p.m. (MT)
Sheraton Albuquerque Uptown
2600 Louisiana Blvd NE, Albuquerque

Livermore Annual Social
Tuesday, March 12, 5:30 p.m. (PT)
Robert Livermore Community Center
4444 East Avenue, Livermore

All members are invited to attend the Annual Meeting and/or Annual Social. Refreshments will be provided.

Save for the future.
At the speed of life.
Encourage kids to develop good savings habits.
Visit slfcu.org/SavingsLaboratory.

For concerns regarding policies/procedures, conflicts of interest, or fraud:
SLFCU Supervisory Committee, PO Box 13045, Albuquerque, NM 87191