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## Annual General Meeting

**Where:**  
North Ryde  
Golf Club

**When:**  
6:00pm, 7th  
November 2019

**RSVP:**  
31<sup>st</sup> October 2019

A copy of our annual report is now available at:

[lcu.com.au/annual-reports](http://lcu.com.au/annual-reports)



Scott Martin  
Chairman

## Chairman's Report

2019 has been another year of very healthy growth and pleasing financial performance in all areas:

- » Reflecting another year of careful cost control, LCU achieved a net interest margin (the average difference between lending and borrowing rates) of 1.92%, which compares to 1.95% in 2018, and an industry average of 2.5%
- » Despite keeping LCU fees and charges at sector-leading low levels, our 65th consecutive pre-tax surplus was pleasing at \$1,005,583, compared with \$1,040,704 in 2018. This surplus grows LCU member total capital to \$13,922,440 million, and generating a healthy Return on Assets of 0.40% (similar to 2018's 0.42%);
- » Our critical financial resilience metrics remain within our target comfort zones and well in excess of prudential requirements: Capital Adequacy was 16.14% (cf 16.2% 2018) and Minimum Liquid Holdings 16.62% (cf 16.16% 2018).
- » After the unusually strong loan growth experienced in 2018, this year we have achieved a more normal level of loan growth of 1.5%, which combined with 8.4% deposit growth.

These excellent financial results rest on long-established foundations. Prudent and frugal operations lie at the core of LCU's ability to offer industry-leading value and still return earnings to boost capital. LCU's cost base is improved by having a single branch, by having efficient and engaged staff cross-trained over multiple functions and through the effective use of technology. However, the inexorable cost of technology is a factor that LCU will always be exposed to as one of the smallest players in the prudential sector.

In summary, LCU has delivered another excellent result from strong financial fundamentals, which place us well entering the 2019 year.

### A Year of Fewer Distractions

In comparison with 2017-18, with its array of compliance and IT upgrades, 2018-19 was thankfully less frenetic – the only major system changes being LCU's new banking app (building on the previous year's banking system upgrade), migration of the website to Azure and preparations for online PIN change.

LCU staff were able to devote more time engaging with the business communities in our localities, which included supporting the Northern Sydney Science Hub in their Science Week celebrations at Ryde Library, a presentation on fraud awareness at Ryde Library, North Ryde Women's Network and Macquarie Business District to mention a few.

LCU continued to explore innovative ways to deploy member deposits in excess of those required to fund member borrowing. With two successful years of placing funds with SocietyOne, LCU made a similar investment with RateSetter. These both enable LCU to extend more into the personal lending market – this being a relatively small component of LCU's lending portfolio historically. Both investments allow LCU to determine the quantity of funding as well as the relative risk/reward profile.

This year LCU established a business relationship with R&D Capital Partners<sup>1</sup>, which assists technology start-up companies by advancing quarterly loans against their Research and Development (R&D) Tax Incentive<sup>2</sup> entitlements.

Continued on pg 4

# What's new in super and tax?

The 2019/2020 financial year introduces some new opportunities to allow you to save for your retirement through super. Below we also provide an overview of the 'protecting your super' legislation and personal income tax changes. Article supplied by our financial planning partner Bridges.

## Superannuation - Claiming a deduction on personal super contributions

Since 1 July 2017, employees as well as the self-employed, can claim a tax deduction on personal super contributions.

If you are aged between 65 and 74 you can make a contribution to super but you need to meet a work test. To pass the work test, you need to have been 'gainfully employed'<sup>1</sup> for at least 40 hours over 30 consecutive days during the financial year in which you plan to make the contribution. That's a little over one week's worth of full-time work in a single month.

Also, if you're aged between 65 and 74 and have a 'total super balance'<sup>2</sup> under \$300,000, you can make personal contributions to super in the first financial year in which you no longer meet the work test. This is likely to be the first year following your retirement.

Unfortunately, if you are 75 or over you are not eligible to make a personal contribution to super.

Generally, the cap on concessional contributions is \$25,000 each financial year.

For the first time this financial year, if you have a total super balance of under \$500,000, you can contribute the unused portion of your concessional contributions cap, or 'carry-forward' amount, from last financial year.

That is, if you didn't contribute in the 2018/19 financial year, you may be able to carry forward \$25,000 to this financial year and contribute up to \$50,000.

## What if you didn't contribute last financial year – do you miss out?

Currently, only the unused concessional contribution cap amounts in the 2018/19 financial year can be carried forward. Then, for future financial years, the unused concessional contribution cap amounts can be carried forward, on a rolling basis, for five years.

So, if you've accrued a carry-forward concessional contribution amount, you may want to start, or increase your salary sacrifice contributions, or make a personal concessional contribution to super.

This can be particularly beneficial for your tax bill if you've significantly increased your income, for example, if you've sold an asset with a large capital gain.

## Protecting Your Super legislation

The 'Protecting Your Super' legislation came into effect on 1 July 2019 and is designed to protect people's super balances. The three main changes are:

Insurance in super – if you have an inactive super account, defined as an account where you have made no contributions in the last 16 months, your insurance will be cancelled unless you take action.

You can retain your insurance by contacting your super fund and 'opting-in' to retain your insurance or having a contribution made into your account every 16 months.

Low super balances – if your super account balance is under \$6,000 there is a cap placed on fees, limiting them to no more than 3% per year.

Also, if you have an 'inactive low balance' account, the Australian Taxation Office (ATO) is now responsible, where possible, for consolidating this money with your active super account. An inactive low balance account is broadly defined as an account with a balance of under \$6,000 where no activity has occurred in the last 16 months.

This includes where no contributions have been made to the account in the last 16 months and where there is no active insurance on the account. Other new definitions apply.

Exit fees – when you exit a super fund you will no longer be charged an exit fee.

## Personal income tax rates

Australians can continue to enjoy the first round of personal income tax changes that started in July 2018.

From 1 July 2022, the Government will increase the 32.5% tax threshold from \$90,000 to \$120,000. This means there will be less people in the 37% tax bracket and more in the 32.5% tax bracket.

*(continued over page)*

## Super & tax continued...

On 1 July 2024, the 37% tax bracket will eventually disappear and the 32.5% tax bracket will reduce to 30%. It's estimated that 94% of personal taxpayers will have a marginal tax rate of 30% or less in the 2024/25 financial year.

### Tax offsets

In addition to the changes to income tax, the Government has introduced a temporary tax offset called the low and middle income tax offset (LMITO), of up to a maximum of \$1,080 per person and phases out for those earning over \$126,000 per annum.

This is in addition to the low income tax offset (LITO) for those earning under \$66,666 per annum.

The LMITO offsets will end after the 2021/22 financial year. However, from 1 July 2022, the Government will increase the (LITO), from \$445 to \$700 to continue to support low income earners.

You don't need to do anything to receive the tax offsets, the ATO will assess your eligibility when you complete your personal tax return.

**If you have any questions on how to make the most of your super and optimise your tax position, please contact us and we can put you in touch with a financial planner.**

<sup>1</sup>The ATO defines gainful employment as employed or self-employed for gain or reward in any business, trade, profession, vocation, calling, occupation or employment.

<sup>2</sup>Your 'total super balance' is measured on 30 June of the previous financial year and is calculated by adding several items together including both accumulation and pension interests of your super.

Bridges Financial Services Pty Ltd (Bridges). ABN 60 003 474 977. ASX Participant. AFSL 240837. This is general advice only and has been prepared without taking into account your particular objectives, financial situation and needs. Before making an investment decision based on this information, you should assess your own circumstances or consult a financial planner or a registered tax agent.

Examples are illustrative only and are subject to the assumptions and qualifications disclosed. Part of the IOOF group. In referring customers to Bridges, Laboratories Credit Union Ltd does not accept responsibility for any acts, omissions or advice of Bridges and its authorised representatives.

Full article with further information available at [lcu.com.au/new-in-super-and-tax-2019](http://lcu.com.au/new-in-super-and-tax-2019)

## Prefer to Spring Clean Your Own Home?

Now you can with LCU's:

### INTRODUCTORY HOME LOAN OFFER

**1 year fixed<sup>1</sup>**

**for new money only**

**3.35 %** pa  
Interest rate

**3.94 %** pa  
Comparison rate<sup>2</sup>

*For a limited time*  
**LCU will pay for legal fees  
and valuation costs up to  
\$1,000**

Australian Credit Licence 240807. Credit eligibility criteria, terms and conditions, fees & charges apply. Maximum loan to valuation ratio (LVR) of 80% applies. Minimum loan \$250,000. Interest rate correct as at 23/09/2019. LCU reserves the right to withdraw or amend this offer at any time.

<sup>1</sup>At the end of the introductory period the loan interest rate will revert to the Intelligent Mortgage Variable Loan rate (currently 3.94% pa).

<sup>2</sup>Comparison rate based on loan of \$150,000 over 25 years.

**WARNING:** This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate.

### Internet Banking Password Expiry

**Good news everybody! Your passwords for internet banking no longer expire.**

The next time you need to change your password for any reason, make sure you take advantage of the 39 character allowance and choose a really secure and memorable one.

For handy hints on choosing a password head to:

[lcu.com.au/strong-password](http://lcu.com.au/strong-password)

### Online PIN Change

**Forgotten the PIN for your LCU Visa Debit Card?**

No worries! You can now choose your own PIN via internet banking or the LCU - Banking App. For instructions on how to do so head to:

[lcu.com.au/pin-change](http://lcu.com.au/pin-change)

The government R&D tax payments are made once a year like the individual tax return/rebate, meaning waits of up to 12 months to receive the benefit, creating cash-flow challenges for small companies with little or no revenue income. LCU is proud that member funds are being used to help tech start-ups while making a reasonable return for members in the process.

Despite the low interest rate environment and LCU's continuingly low net interest margin (NIM – the difference between interest earned and interest paid) we continue to cover operational costs and return the surplus required to keep stride with capital requirements. This past year, however, our costs as a percentage of income have increased from 71.4% in 2018 to 73.2% – and as a traditionally frugal business, this is something that we must be ever vigilant of. Like all other small credit unions, we are suffering under the burden of increasing compliance and IT costs – both of which we have virtually no power to influence. It is only by joining forces with other credit unions as members of the SAM Group (Small Australian Mutuals) and COBA (the Customer Owned Banking Association) that we can bring to bear pressure on price setters and regulators to alleviate the pressure.

#### Board and Staff

I would like to thank my fellow Directors, Allison Smart (Deputy Chair), Anita Andrew (Chair of the Board Risk Committee), Frank Benito de Valle, Tony Murphy, Peter Steele, John Stephens (Chair of the Board Audit Committee) and Paul Swan for their valuable contribution to the governance of LCU over the past year. I would also like to thank our Associate Directors Gordana Papic and Amber O'Connell, who attend Board meetings by invitation and provide invaluable service and views to the Board.

The Board gratefully acknowledges the friendly service and commitment of our staff Leanne Harris, Eileen Thoms, Lyn Slatter, Kerrie Griffiths, Susanne Tran-Lowder, Nalini Mannie, Matthew Thoms, Joanne O'Donnell, Betty Ho, Tejas Daulat, Sally Boswell and Theresa Luzon. Personal service and member value are the cornerstones of LCU's success.

Scott Martin  
Chairman 18 September 2019

<sup>1</sup><https://www.rdcapital.net.au>

<sup>2</sup>Refundable tax offset of 43.5% of eligible R&D costs. <https://www.business.gov.au/assistance/research-and-development-tax-incentive>

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