



AAFMAA

# advantage

An Army and Air Force Mutual Aid Association Newsletter • August 2009

## What Can I Do at AAFMAA.com?

In an effort to make AAFMAA more accessible to our mobile, 24/7 membership, we've developed the AAFMAA website to include a number of features that can be accessed around the clock. Here are a few examples of what you can do:

- **Get an Online Quote 24/7.** One of the best ways for you to see that we are one of **THE** low-cost insurance providers!
- **APPLY FOR INSURANCE** using our online application in the Get a Quote section.
- **Compare our rates** to SGLI and VGLI in our Get a Quote results section.
- **View your policy information** by registering in our Member Center.
- **Update your personal contact information** through the Member Center.
- **Download a number of commonly used forms** such as Beneficiary Designation Change, Allotment Authorization and Credit Card forms to name just a few.
- **Get answers to Frequently Asked Questions** about your most recent Annual Statement.
- **Get information** about Level Term I, Level Term II, Five-Year Renewable Term, Value-Added Whole Life, **ANNUITY**Life and Generations Plus.
- **Learn about our Trade-Up Program** for members with Value-Added Whole Life policies.
- **Calculate life insurance needs** with our Needs Analysis Calculator.
- **Read past newsletters and Annual Reports.**



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AAFMAA.com provides great tools to interact with your Association. We continually add more and more capabilities as we expand the website. Keep coming back in the months ahead to see what we've added. *(We'll also let you know as new functions become available!)*. If you would like to give us some feedback, please email [marketing@aafmaa.com](mailto:marketing@aafmaa.com).



## Message to Members

**Walter R. Lincoln, CFP®**  
**Major, US Army, Retired**  
**President and Treasurer**

Dear Fellow AAFMAA Members:

I'm delighted to share more details about our Association's exciting expansion efforts. AAFMAA has taken significant steps toward our long-term plan to become a full service insurance company. As we mentioned at the 2009 Annual Meeting, AAFMAA recently purchased a 5.2 acre property in Reston, Virginia. For liability and accounting reasons, the property is held in our subsidiary: Armed Forces Property, LLC. The new location will be the home for AAFMAA's financial services subsidiary company: Armed Forces Financial, LLC. Armed Forces Financial will reintegrate the Living and Survivor Assistance Services, currently performed under contract.

AAFMAA provides low-cost life insurance and unique Living and Survivor Assistance Services. Services are an integral and essential part of AAFMAA. Providing services to our members will come back in-house on 1 July 2010. AAFMAA will provide the currently available services, and eventually expanded services, through Armed Forces Financial. To ensure that you, the members, continue to receive the same high quality of services, AAFMAA has been implementing a two year transition plan, including personnel and modernized technology. By bringing the services back under the AAFMAA umbrella, we can save money, continue to provide Living and Survivor Assistance Services **plus** expand to new services.

Initially, Armed Forces Financial will provide the current Living and Survivor Assistance Services. Gradually, AAFMAA will expand services including full-service financial planning, investment management, estate planning, and more, in locations across the nation. As needs change and opportunities arise, AAFMAA will continue to enhance services and grow ever stronger.

In the coming months, we will continue to communicate as these exciting changes take place. We're committed to making the transition totally seamless and the expansion an absolute success. For 130 years you've trusted us for your insurance needs...now we're building upon that trust to also provide protection for all your financial planning needs. Thank you for your continued membership, your support, and for spreading the word about AAFMAA to help expand our Association.

Sincerely,

Walter R. Lincoln, CFP®  
President and Treasurer

## AAFMAA Contacts

### Membership and Insurance Sales

Toll free: 877-398-2263  
Local: 703-522-3060  
Fax: 703-522-1336  
email: membership@aafmaa.com

### Application Processing

Toll free: 866-4AAFMAA  
(866-422-3622)  
Local: 703-522-3060  
Fax: 703-528-2662  
email: applications@aafmaa.com

### Underwriting

Toll free: 866-4AAFMAA  
(866-422-3622)  
Local: 703-522-3060  
Fax: 703-526-1670  
email: underwriting@aafmaa.com

### Policy Services

(payments, loans, LTCSO,  
beneficiaries, settlement options)

### Srey Seng-Im, Team Leader

Toll free: 866-4AAFMAA  
(866-422-3622)  
Local: 703-522-3060  
Fax: 703-526-1671  
email: policyservices@aafmaa.com

### Death Notification

Toll free: 800-522-5221  
Local: 703-522-3060

### Senior Management

President and Treasurer

**Walter R. Lincoln, CFP®**

Assistant to the President

**Tiana Fallavollita**

Vice President for Marketing and Sales

**Lisa G. Milman**

Vice President for Insurance

**Brady M. Gruler, FLMI**

Controller

**Florence B. (Maggie) Wilson, CPA**

Secretary

**Tom E. Hargis**

## Website

[www.aafmaa.com](http://www.aafmaa.com)

**General  
John R. Guthrie,  
US Army, Retired**  
*December 20, 1921 –  
May 25, 2009*

As many of you may already know, General John R. Guthrie, US Army, Retired, died on May 25, 2009. Born in Phillipsburg, New Jersey, General Guthrie graduated with honors in History from Princeton University in 1942, receiving his commission as a 2nd Lieutenant out of Princeton's ROTC program. He ultimately became the program's first four star General. During his 39-year Army career, General Guthrie was the Army Staff project officer for the launching of the United States' first artificial earth satellite, Explorer I. He also served as Chief of Staff of the 25th Infantry Division, Assistant Commanding General of the 2nd Division, Commanding General of the United States Army Japan, and finally, Commanding General of the US Army Materiel Command, from which he retired in 1981. AAFMAA was fortunate to count General Guthrie among its long-term members and, for a period of time, one of its Board members and finally Director Emeritus. General Guthrie's funeral was held at Fort Myer on June 20, 2009, followed by burial at Arlington National Cemetery. "The General" is survived by his six children, their husbands and wives, nine grandchildren, and an extended family far too numerous to count.

# Email –

## *Help Us Stay Connected*

One thing the staff at AAFMAA is constantly looking at is the ability to automate, streamline and lower costs on operational issues. One way we can do this is by emailing information to our members instead of mailing. Additionally, since a large part of our membership is very mobile, it helps us stay in contact when members are deployed. ***It's very important that we have your most current email address.*** Since our members' physical addresses can frequently change, and we may not be notified, the email address becomes even more important. Having an accurate email address on file helps us stay connected with our members and contact them when necessary. This allows for more rapid response on many issues and the ability to receive requests for information during non-business hours.

***Please make sure that you have provided us with your current email address.*** One way you can check is to login to the Member Center at <https://connect.aafmaa.com/>. Your personal information, including your email address, will be displayed. You can send an email to [info@aafmaa.com](mailto:info@aafmaa.com) if you wish to update it. Please make sure to include your member number (or last 4 digits of your SSN) and your full name so that we know who you are. Keeping connected to our members is very important to us. Having your email address will help in that endeavor.



[The Annual Meeting convened at 1200 hours, 9 June 2009, at the Army Navy Country Club, Arlington, VA.]

LTG Donald M. Babers, Chairman of the Board of Directors, called the meeting to order and welcomed everyone to the 130th Annual Meeting of the Army and Air Force Mutual Aid Association. LTG Babers recognized GEN Jack N. Merritt, Vice Chairman of the Board and Chairman of the Finance Committee and GEN Dennis J. Reimer, Chairman of the Membership Committee. Other directors of the Association, members of the professional staff and AAFMAA advisors were also present.

LTG Babers remembered our Director Emeritus, GEN John R. Guthrie, USA, Retired, who recently passed away. LTG Babers served under GEN Guthrie from when he was a LTC. He recollected the wonderful opportunity to benefit from GEN Guthrie's wisdom and to enjoy his company. LTG Babers extended many thanks to our former Board member COL Wayne Fujito for all his help during GEN Guthrie's stay in Walter Reed and his ultimate passing. We will all remember GEN Guthrie fondly and we extend our sincerest sympathies to his surviving family.

LTG Babers then recognized three members in attendance. COL Norman Gray, COL John Evans, and MAJ Mark Amberg were presented with a gift from AAFMAA recognizing them, respectively, as the oldest member in attendance, the longest tenured member in attendance and the youngest member in attendance.

Last year's meeting was on 10 June 2008. The minutes were published and distributed to all members. A motion to waive the reading of the minutes was moved, seconded and the minutes were approved unanimously.

LTG Babers addressed the membership in his third report as Chairman. He reported that 2008 was another outstanding year for AAFMAA! Membership, Insurance in Force and Policies in Force all reached record highs...and especially noteworthy, a 3,800 net growth in policies – the largest net growth in policies in AAFMAA's 130 year history! These positive results highlight AAFMAA's strength and demonstrate that even during these turbulent economic times, AAFMAA continues to thrive.

By remaining focused, AAFMAA has been successful. AAFMAA focuses on providing: (1) low-cost life insurance for AAFMAA members and their families, and (2) excellent services to the members. The current services include the unique Survivor Assistance Services provided to surviving families of deceased members and Living Services, provided to Grandfathered members. AAFMAA will continue to provide these services and implement the expansion plan to offer additional services as AAFMAA evolves into a full service life insurance company. AAFMAA's solid economic foundation enables us to seize investment opportunities and to offer expanded services and enhanced insurance options for our membership as needs change and opportunities arise.

LTG Babers recognized that members have a choice when it comes to life insurance. He is glad they have chosen AAFMAA. Every member can rest assured that they are receiving insurance at the lowest possible cost and services unmatched by any other insurance company...and they can sleep soundly every night knowing that their Association is safe. AAFMAA's

## AAFMAA's New Reston Office Space



The Grounds



Front and Back View of the Building

# ANNUAL MEETING

Careful investment strategy has built a solid foundation that gives flexibility to respond to opportunities without compromising the Association's long-term mission.

With expanding membership, a sound financial structure of NO debt and NO sub-prime mortgages, and a dedicated management team, AAFMAA is well poised for continued success. Also, in these times when there is scrutiny of Director compensation, stock options, jets, etc...the AAFMAA Board of Directors is committed to AAFMAA and serves without compensation. With the Board's vision and the staff's dedication, AAFMAA will continue its important mission of taking care of members and their families with low-cost insurance and expanded services.

The slide show displayed during the social period depicted AAFMAA's additional location in Reston which will provide AAFMAA redundant office space for contingency operations and growth, and will serve as the location for AAFMAA's future subsidiary, Armed Forces Financial. Effective July 2010, Survivor Assistance Services, Living Services, and new financial services will be provided from this location.

LTG Babers thanked the members present for spreading the word about AAFMAA and taking the time to attend the meeting to show their support and interest in the affairs of AAFMAA.

LTG Babers then turned the meeting over to Walt Lincoln, President and Treasurer, for his comments. Excerpts from the President and Treasurer's remarks follow.

2008 was a record year. All metrics ended the year at all time highs. Some highlights included: Insurance in Force at \$18.9 Billion, Policies in Force at 111,808, and, significantly, net policies grew by 3,800, the highest annual net growth in AAFMAA's history. The credit for this success goes to our marketing and sales team led by Vice President Lisa Milman and supported by our marketing partner, C-View Corporation, represented today by Bill Cutler. Lives Insured reached 89,006. Membership ended the year at 81,469. This all time high in members is

especially noteworthy since it demonstrates the relevance of AAFMAA to a new generation of airmen and soldiers. In 2008, our membership grew at an average of 242 net new members per month. Our Association is attracting more and more active duty new members.

Assets, on an admitted value basis, total \$890 million. Recall that we have no subprime mortgages, no derivatives, no credit

***With expanding membership, a sound financial structure of NO debt and NO sub-prime mortgages, and a dedicated management team, AAFMAA is well poised for continued success.***

default swaps, no hedge funds, no private equity funds, and no securities lending ... and you'll be especially pleased to know that we did not invest with Bernie Madoff!

More details are available in the annual report which has been distributed to all members and is included in this report by reference.

2008 was a great year with a Net Yield on Assets of 5.2%. This return allowed the Board of Directors to approve a crediting rate of 7% for cash values of Value-Added Whole Life policies for 2009. Recall that as your cash value grows, your death benefit grows.

While 2008 was indeed an outstanding year, it was not without its challenges and setbacks. Our disciplined, quantitative investment approach weathered the storm of stock market volatility and the even greater bond pricing turbulence. We cannot invest the funds entrusted to us without accepting risk. Every investment has risk. We can only determine which type of risk to accept and to ensure that the reward for accepting that risk is sufficient.

These comments address 2008. But we should also review where we've been and where we're going.

Nearly a decade ago, under the visionary guidance of Generals Kerwin, Davison, Sennewald and Babers, AAFMAA began implementing a plan to revitalize the Association. That plan



focused on three imperatives: control costs, sell more and invest wisely. So how are we doing?

Controlling costs is especially noteworthy. The budget for 2008 was lower than the inflation adjusted budget of 1994. We have enjoyed huge membership and policy growth yet held the budget growth to below inflation. This budget growth below inflation cannot go on forever. However, we will always control spending because we always remember that we are spending members' money. Selling more is obvious from the huge increases in insurance in force and the number of policies. For example, at the beginning of 2000, insurance in force totaled \$1.7 billion. By the end of 2008 it totaled \$18.9 billion! Investing wisely has been one of our greatest strengths. We avoided Enron, the dotcom bubble, the real estate bubble, and subprime mortgages. We now have the financial strength to take advantage of exciting future opportunities.

To paraphrase President Teddy Roosevelt, the future belongs not to the critic, the carper, or the skeptic. The future belongs to the doer of deeds; those who actually take action. A small group of those doers of deeds founded AAFMAA after the Battle of Little Big Horn. The Association strived and stumbled and erred, but no effort can be achieved without error or shortcoming. The credit does not go to the critic who points out these errors; but to the doer of deeds who stands, stumbles, rises again and strides to success. We are striding to create the premier financial services company serving the military.

Starting in July 2010, Survivor Assistance Services and Living Services will be provided in-house. This will permit a seamless transition, efficiencies, improved current services and expanded new services. As the Chairman mentioned, the upgraded facility for these services has already been acquired and is being readied for operation. The software program to provide services has been undergoing conversion, migration and modernization. The same team, led by MetroStar Systems and today represented by Amarish Pathak, and the same process used to upgrade the insurance software is being used to upgrade the services software. We are on track and within budget on all these actions.

We are also planning to expand services to new areas, both new types of services and new locations. As doers of deeds, we must stand, strive ... and yes, occasionally stumble ... but certainly succeed. We have a storied past, a successful present and a future filled with tremendous possibility. We must always be doers of deeds. In the words of President Roosevelt,

expressed nearly a century ago, "we can never stand with those cold and timid souls who know neither victory nor defeat". Mr. Chairman this concludes my report.

A motion to approve the report of the President and Treasurer was moved, seconded and approved unanimously.

The next order of business was to receive the report on the election and re-election of directors. Tom Hargis, AAFMAA Secretary, presented the results of the Nominating Committee and proxy balloting. The Nominating Committee consisted of the following members: COL Henry W. Neill, Jr, USA, Ret, Col Robert W. Ramsey, III, USAF, Ret, and CSM Jefferson Varner, USA.

Mr. Hargis thanked the committee for their time and effort. The committee nominated CMSgt Lewis E. Monroe, III, USAF, Ret and COL Dennis D. Porter, USA, Ret, to serve a first term, GEN Jack N.

***Controlling costs is especially noteworthy. The budget for 2008 was lower than the inflation adjusted budget of 1994. We have enjoyed huge membership and policy growth yet held the budget growth to below inflation.***

Merritt, USA, Ret, Maj Gen Donald W. Shepperd, USAF, Ret, Maj Gen Robert L. Smolen, USAF, Ret, LTC George T. Greiling, USA, Ret, and Col Elisabeth J. Strines, USAF, Ret to serve a third term, and LTG Donald M. Babers, USA, Ret to serve a fifth term.

Proxies were received, duly counted and certified by an independent proxy service. All nominees were approved and their terms will continue until the Annual Meeting in 2013.

This concluded the results of the Nominating Committee and proxy balloting. A motion to close the nominations and elect the nominees was moved, seconded and the nominees were elected.

A brief question and answer period followed, discussing in further detail the new Reston, VA location and the upcoming reintegration of Living Services and Survivor Assistance Services. After this discussion period, since there was no other new business to be brought before the meeting, a motion to adjourn was moved, seconded and the meeting adjourned at 1238 hours. A light buffet lunch was made available to those in attendance.

# AAFMAA's ANNUITYLife Policy

## Q. What is ANNUITYLife?

**A.** A Net Single Premium Value-Added Whole Life insurance policy with a graded death benefit in the first three years. It is a Modified Endowment Contract (MEC) and subject to TAMRA rules. If over age 59-1/2 the 10% IRS penalty does not apply. ANNUITYLife includes an option to annuitize the cash value for monthly payments to age 100 immediately, at a future date or never.

## Q. Who is ANNUITYLife designed for?

**A.** Generally for older members who may not meet medical underwriting requirements for a standard permanent policy. However, it can be approved at any age.

## Q. What does my single premium buy me?

**A.** An ANNUITYLife policy where the single premium is \$817 per \$1,000 of death benefit, with a minimum of \$10,000 coverage. The death benefit is graded at 90% of the face amount in year one, 95% in year two, and 100% in year three.

## Q. What is the Crediting Rate on ANNUITYLife?

**A.** The cash value and death benefit grow based upon the actual crediting rate applied to all Value-Added Whole Life policies, currently 7% for 2009—NOT guaranteed, subject to change. ANNUITYLife has a guaranteed crediting rate of 4% (4.5% less 0.5% charge for mortality and expenses).

## Q. Are there any medical requirements I must meet?

**A.** No medical records or physicals are required. There is no extensive medical underwriting, only 3 simple questions on the application. The Insured must not be in a hospital, confined to bed, or have a known terminal illness expected to result in death within two years of issue. The policy is subject to standard two-year contestability and suicide clauses.

## Q. What happens to the policy if I annuitize the cash value?

**A.** Once the cash value is annuitized, the life insurance policy and death benefit terminate and monthly payments (guaranteed to age 100) begin. There is no continuing life insurance policy or death benefit if the cash value is annuitized.

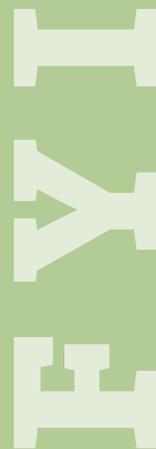
## Q. What happens if I die before age 100?

**A.** The present value of the remaining payments are payable to the beneficiary. As long as there is a minimum of \$10,000, the beneficiary can take settlement with any of our four settlement options: Life Annuity, Life Annuity with 10 years certain, Interest Only, Lump Sum.

## In Summary, ANNUITYLife is:

1. A special, “no underwriting” Value-Added Whole Life insurance policy with cash value and death benefit.
2. It includes an option to annuitize the cash value for monthly payments to age 100 immediately, at a later date, or never.
3. If annuitized, the life insurance policy and death benefit terminate and monthly payments (guaranteed to age 100) begin. There is also an annual bonus check sent to the annuitant each May if AAFMAA's Net Yield on Assets for the previous year exceeded 4%.

For more information about ANNUITYLife and to get a projection and application, please call a Membership Coordinator toll-free at 1-877-398-2263, or locally (VA) at 703-522-3060.



## Retired Pay Allotments

Similar to AAFMAA's decision to reintegrate the Living and Survivor Assistance Services on 1 July 2010, the Department of Defense (DoD) is also reviewing its programs that are currently out-sourced to see if it makes sense to bring any of them back in-house. Most recently, DFAS announced that in 2010 the Retired and Annuity Pay (R&A) program will transition back to the Government. The R&A program has been outsourced to a private contractor since 2002. DFAS believes that bringing the R&A program back in-house will result in a more securely managed processing environment, better service, improved efficiency and the potential for significant cost savings. DFAS, reintegrating the R&A program, and AAFMAA, reintegrating the services function, are both committed to providing a seamless transition of functions. AAFMAA's processing of R&A allotment input for members who provide authorization remains unchanged and can simplify member adjustments for premium payments.



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Arlington, VA

*2009 Annual Meeting  
Minutes Enclosed*

*Walt Lincoln Talks About  
AAFMAA's Expansion Plans*

*Understanding ANNUITYLife...  
Solid Value... No Medical Underwriting*



## Starting Early Pays Off in the Long Run

Some people may think that life insurance for children and young adults is unnecessary. They have no dependents and no assets, so they feel there is nothing to cover. A couple of reasons that some people do buy life insurance while their children are younger are that the premiums are lower and the children are generally healthier. They're not buying it to protect the child's assets now; they are buying to insure them for the future. There's no guarantee that when the child gets older they will qualify medically for life insurance. They may have developed a condition that may prohibit them from becoming insured. By securing the policy when they are young, you can insulate against that. Also, for permanent policies with cash value, it allows more time for the cash value to grow. Two permanent policies that AAFMAA offers for children are the Value-Added Whole Life policy and Generations Plus. Both are permanent policies which offer lifetime coverage for the child. And, with the Generations Plus policy, there are built in guarantees for future insurance policy purchases. It's a great way to build-in guaranteed protection for your children and grandchildren when they are young. For more information on our policies for children and grandchildren, visit our website [www.aafmaa.com](http://www.aafmaa.com) or contact a Membership Coordinator toll-free at 1-877-398-2263.