



# AAFMAA<sup>®</sup> Advantage

AMERICAN ARMED FORCES MUTUAL AID ASSOCIATION NEWSLETTER

## Low Interest Rates:

## *What Should Savers and Investors Do?*

### 2018 Crediting Rate

The crediting rate adds interest to member cash values in Value-Added Whole Life and Wealth Builder policies. Generally, as policy cash values grow, your death benefit grows.

With the US Federal Reserve continuing to hold interest rates at historically low levels, we're proud that AAFMAA's outstanding investment results in 2017 enabled the Board to set the crediting rate for 2018 at 5.75%.

#### **Please remember:**

- The crediting rate is set every year and varies based upon investment results.
- Cash value grows tax-deferred and tax-free if paid to a beneficiary as a death benefit.

# 5.75%

## Crediting Rate for 2018

✓ **Plan.** Understand your financial goal(s), time horizon, and risk tolerance. Defining these will help you select options most appropriate for you.

✓ **Diversify.** How you allocate your assets is the most important factor in determining the return from your investments. Your asset allocation affects the likelihood of reaching your financial goals. In a low interest rate environment, this means looking beyond simple savings accounts and certificates of deposit. You will likely need to blend these into a larger, diversified portfolio of different types of assets such as bonds, stocks, and more. Mutual funds can help with diversification and are often an appropriate choice for many investors.

✓ **Consider other ways to make your money grow.** Not just stocks and bonds. Real estate, metals, or commodities can be integrated into a well-diversified portfolio. Another often overlooked example is a permanent life insurance policy. The cash value of a whole life policy can grow at a crediting rate that may be greater than other investment options with similar risks. Read all of the terms to fully understand any fees or penalties—whole life insurance can be a very sensible store of relatively higher growth savings. AAFMAA offers several of these types of products, including one that is called Wealth Builder, designed especially for those concerned about the "retirement gap." This whole life insurance policy grows your cash value at a crediting rate of 5.75% (net 5.00% after a small administrative fee), effective 1 January 2018.

# 5.75%

## Crediting Rate

**For Wealth Builder/  
ANNUITYLife**

Learn more at  
[aafmaa.com/wealthbuilder](http://aafmaa.com/wealthbuilder)

# Message to Members



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

Dear Fellow Members:

As we all enjoy this special holiday season, let's remember those who make it possible: the men and women of the US Armed Forces. Whether serving stateside or abroad, they provide the protective shield that ensures America's security and American liberty.

AAFMAA provides solutions that enable those who serve to generate financial security for themselves, their family and descendants. Built upon a bedrock of benefits earned through service (VA, military retirement, and Social Security), AAFMAA adds services and products specifically designed for our members—life insurance that can provide security to survivors, wealth management that can grow investments and residential mortgages that can generate home equity.

Plus, our unique Survivor Assistance Services help every surviving spouse and family member obtain the benefits to which they are entitled. Whether SBP, Social Security, VA education or any other benefits, we never stop until every survivor obtains all they deserve.

So, while you serve, remember we're here to take care of your survivors when you're no longer able. That's what we've done for more than 138 years. Relax, breathe easy and experience the difference knowing that AAFMAA is your partner for life.



## AAFMAA Mortgage Services Expands to 13 States

AAFMAA Mortgage Services LLC (AMS) can now originate or refinance residential mortgages in 13 states (visit [aafmaa.com/mortgagefaqs](http://aafmaa.com/mortgagefaqs) to view the entire list of states). AMS has originated and refinanced more than \$19 million of residential mortgage loans and solidified the final pillar of financial security for AAFMAA's members. We embrace the mission of educating members. Visit [aafmaa.com/mortgage](http://aafmaa.com/mortgage) to view our webinars and articles on refinancing, adjustable rate mortgages (ARMs) and a wide variety of other home mortgage topics.

AAFMAA Mortgage Services can help you secure your family's financial future by offering a mortgage solution tailored to meet your financial needs. Visit [aafmaa.com/mortgage](http://aafmaa.com/mortgage) to learn more about our special cost-saving promotions.

To purchase, refinance or build a home in one of the 13 licensed states using your VA benefit, call 844-422-3622 and speak with an experienced, state-licensed AMS loan officer. Save money on your next VA mortgage.

**CALL 844-422-3622 NOW.**



Lender NMLS: 1423968

Merry Christmas,  
happy holidays, happy  
Hanukkah, and best wishes  
for a healthy, happy and  
prosperous 2018.



# Seven Steps *to Successful Investing*

Why do some investors succeed while others fail? The answer is simple. They have mastered the seven steps to successful investing. What are these steps you ask? Are they some kind of secret formulas that only millionaires know? Absolutely not. They are simple, fundamental steps that, if followed, can turn anyone in to a successful investor.

## 1. Develop a Plan

- **What is the purpose of the portfolio?** Income? Growth? Safety?
- **What is your time horizon?**
- **What is your tolerance for risk** (loss of principal and/or volatility)?
- **What are your liquidity needs?**
- **What type of taxation** (qualified/non-qualified)?
- **Any unique requirements** (investment restrictions, socially responsible investing)?

## 2. Look Long Term

Since 1900, the Dow Jones Industrial Average rose from less than 100 to more than 24,000 now. During this time there were 20 corrections of 10% or more, 17 bear markets of over 20% declines and 23 recessions. Investors without a plan reacted to these events and sold, while investors with a plan maintained their allocations and typically succeeded!

## 3. Diversify Your Investments

The equity market is not just one type of stock. There are large, medium and small company stocks. There are fast-growing company stocks (growth stocks) and slower growing, usually dividend paying, company stocks (value stocks). The bond market includes many types of fixed income securities—investment grade, high yield, taxable, tax-free and differing maturities. Your portfolio should not be just one type of investment. For example, one dollar invested in a portfolio starting in December 1990 that was invested only in large domestic stocks became \$13.42 by 6/2017. A portfolio with a mix of large, medium, small, real estate and bonds had the same ending value of \$13.42 but with 18% less volatility. A portfolio with a different mix of stocks had the same volatility as an all large stock portfolio, but with an ending value 22% greater at \$16.32. Diversification can reduce your risk and increase return.

## 4. Go Global

The market is not just the United States. Over the past 10 years, the US stock market fluctuated between 32% and 39% of the total world stock markets. That means if you only invested in US stocks, you were ignoring 60–70% of potential investments. During the same 10 years, the world market returned 3.3% annually while the US returned 3.2%, Europe returned 2.9% while Asia returned 9.5%.

## 5. Know Your Costs

You incur many different expenses when creating and maintaining your portfolio. Some expenses are transparent and easily determined, but many are imbedded within the investment products. Know your costs and if you are getting value for your costs. Examples of where to look for these costs:

**Mutual Funds:** Front Load, Back Load, Level Load (12b-1 fees), Institutional

**Annuities:** Mortality Fees, Administrative Fees, Investment Management Fees, Surrender Fees

**Investment Management (RIA, Trust):** Asset Based Fees, Transaction Costs, Investment Product Costs, Termination Fees

**Brokerage:** Commissions, Asset-Based Fees, Investment Products, Transaction Costs

## 6. Rebalance

Disciplined investing requires periodic rebalancing. Rebalancing forces you to lighten up by selling a portion of what has been out-performing in your portfolio and purchasing what has been under-performing.

## 7. Be Tax Efficient

It is not important what you make, but what you keep. Taxes due to high turnover in a taxable account can significantly reduce returns. For example, you sell a \$100 stock that cost you nothing. After paying \$20 in taxes, the remaining \$80 has to return 25% just to get back to where you were at \$100. The differential in tax rates between long-term and short-term gains is significant. Tax loss harvesting can be an effective method for reducing the tax bill.

If unsure how to proceed with your investments, want a second opinion on your investments, or even a complimentary portfolio review, call (910) 307-3500 or email [wealthmanagement@aafmaa.com](mailto:wealthmanagement@aafmaa.com). We are here to help.





# 138<sup>th</sup> Annual Meeting **Minutes**

*The Annual Meeting convened at 1200 hours, 13 June 2017, at the Army Navy Country Club, Arlington, VA.*

LTG Donald M. Babers (USA, Ret) Chairman of the Board of Directors, called the 138th Annual Meeting to order. LTG Babers recognized three AAFMAA Members: CPT Matt Fava our youngest member in attendance; COL John Wagner our longest tenured member (more than 63 years!); and COL John Insani our oldest member in attendance (at age 91)! The AAFMAA Secretary presented gifts to them.



**GEN Carl Vuono, 31st Chief of Staff of the Army; GEN Gordon Sullivan, 32nd Chief of Staff of the Army; General Dennis Reimer, 33rd Chief of Staff of the Army**

LTG Babers recognized other distinguished guests in attendance: GEN Robert Sennewald, Director Emeritus; GEN Carl Vuono, GEN Gordon Sullivan, GEN Dennis Reimer, and LTG Guy Swan, Vice President, Association of the United States Army; and the entire AAFMAA Board of Directors.

LTG Babers recognized GEN Jack N. Merritt and thanked him for his service to AAFMAA. This would be GEN Merritt's final Annual Meeting as Vice Chairman of the Board. LTG Swan, AUSA, presented a Letter of Appreciation to GEN Merritt.

Last year's meeting was on 14 June 2016. The minutes were published and distributed to all members. A motion to waive the reading of the minutes was made, seconded, and the minutes were approved unanimously.

LTG Babers noted that the annual meeting was being simultaneously broadcast to AAFMAA's offices in Fort Myer and Reston, VA; Fayetteville, NC; and Winter Park, FL, and on Facebook Live.

LTG Babers noted that this would be his last meeting as Chairman, having served as a director for over 25 years.

He described another outstanding year for AAFMAA:

AAFMAA has grown to more than \$25.5 billion of insurance. We insure nearly 103,000 lives of members and their families with over 124,000 policies in force. We also help members plan their financial future through AAFMAA Wealth Management & Trust, which provides financial planning, investment management and trust services meeting a fiduciary standard of service.

In 2016, we implemented the final component of our strategic plan—"AAFMAA 2020"—four years ahead of schedule. AAFMAA Mortgage Services now provides residential mortgages to members in Connecticut, Florida, Maryland, North Carolina, and Virginia [and subsequent to the meeting expanded to Alabama, Delaware, Indiana, Kansas, Oklahoma, Pennsylvania, Rhode Island, and Tennessee].

Good management and well-led, dedicated employees, remain key to AAFMAA's success. We are proud that 33% of AAFMAA's employees have served, are serving in the reserves or guard, or are married to a servicemember. We understand the military community and are dedicated to taking care of you.

AAFMAA has played a significant role in my life for the past 25 years. I'm retiring from the Board with the sure knowledge that our Association is stronger and larger than ever before. The strategic plan has been successfully implemented. An incredibly able Board remains in place to guide our Association to even greater successes.

Walt Lincoln, our President and Treasurer, and I have worked closely for the past 25 years to build a new AAFMAA. He keeps the team focused and deserves the credit for the outstanding success we have enjoyed. It's my pleasure to turn the meeting over to Walt for his remarks.

MAJ Walter R. Lincoln (USA, Ret) thanked the Chairman and then discussed the 2016 results:

It's always a pleasure to report great results. Our entire team has developed special capabilities to serve members. From Wealth Management & Trust, to Residential Mortgages, to Life Insurance, to Member Benefits, to Property and Investments, and everything that we do through SurvivorAssistance Services for every member and every member's surviving spouse. During 2016, AAFMAA took 15,500 different actions to help surviving spouses. Now that's an amazing accomplishment: superlative, personal service to every surviving spouse that asked for it. There's no limit to what they ask for and we will do anything and

everything that we can to take care of them. That's our goal and we will never forget that focus.

In addition to superlative personal service, we take care of members by protecting their investments in AAFMAA. Thanks to our investment results, the crediting rate was set at 6% for 2017. In this low interest rate environment, we may have to drop it a bit for 2018. But a 6% crediting rate in today's world, is a great achievement. Those funds grow tax-deferred within your Value-Added and **ANNUITY** Life policies and are tax-free when paid to your beneficiary.

How do we achieve that? Over the past 25 years, AAFMAA's return on investments has approximated 7.7% and that has benefited every member, every spouse, everyone who takes an annuity. Our market value on assets was up 6.5%. We paid out to members, spouses, children, and grandchildren \$82.2 million dollars. Plus, we're stronger than we've ever been, increasing capital and surplus by 8.4%.

It is appropriate to recognize General Babers as he completes his term as AAFMAA's Chairman. During his time with AAFMAA, we started with \$1.3 billion Insurance in Force, and under his leadership, we've grown to \$25.5 billion—that is an outstanding 1,862% increase.

Not only did AAFMAA's funds increase, so did our policies and services. Previously, AAFMAA offered only one type of insurance policy. Now we have seven types of insurance that cover every member in every stage of their life, including children, and grandchildren. Membership is now open to all ranks and all services: Army, Air Force, Marine, Navy and Coast Guard. Our future potential includes veterans.

AAFMAA's vision is to ensure the financial independence and security of the military community. We will never achieve it, we will always strive to get closer to that, but it's a vision that will last forever for AAFMAA. We've built a huge enterprise that can grow unconstrained to lead members to financial success in many areas:

- **LIFE INSURANCE** to provide funds for survivors, along with Survivor Assistance Services,
- **TRUST COMPANY** to manage your investments and grow wealth for the future, and
- **RESIDENTIAL MORTGAGES** so you can own the home of your dreams and build home equity.

It's built upon a foundation of VA benefits, Social Security, and military retirement. That's what we're all about. All of that allows a member to reach financial security so the widow and the following children and grandchildren can be cared for.

MAJ Lincoln recognized the contributions of the Vice Chairman, GEN Merritt. He was not only Vice Chairman of the Board, he was also Chairman of the Finance Committee. He's leaving AAFMAA after 17 years and AAFMAA is stronger than it has ever been before. He's provided leadership and I

like to think that that leadership is encapsulated in a letter, not from us, but from General Carter Ham, President of the Association of the United States Army. Let me read just a couple of comments:

*"...from your distinguished service as an Army officer in combat and peace time, to your leadership of the Association of the United States Army, through a period of tremendous change, to your chairmanship of AAFMAA's Finance Committee, and services as the Board Vice Chairman, you have made a positive and lasting impact on those you served. For your decades of leadership and exemplary service, thank you seems insufficient. But please know our thank you is heartfelt and sincere..."*

GEN Merritt then briefly addressed the audience: I'll be brief. 17 years, thanks to Bob Sennewald who invited me to be on this Board. It has gone rapidly. It's been a labor of love. It's been an enormous pleasure to see an organization grow. Actually, I joined the Board about the time that Bob and others realized, that we needed to change the model. We all know the centerpiece of it, the vision, the energy, the leadership comes from Walt Lincoln. And we all remember it. So all I can say is, thanks for the trip. I know it's going to continue. I'm going to miss this, but thanks a lot.

MAJ Lincoln continued his report:

Thank you sir for such a kind comment. Let me cover a program started by General Babers, continued by General Merritt. It's called the Entrepreneurial Investment Program (EIP). These are loans that are 100% secured by first-liens, cross-collateralized, and cross-defaulted and personally guaranteed by the borrower. Over the term of the EIP, we earned an interest rate that averaged 7.2% and we earned additional payments because some of these loans included participating interest. Therefore General Merritt, your return of 10.2% has benefitted every member, every spouse, every child, every grandchild. Thank you very much, sir.

Let me conclude with just two points. First, we must constantly innovate. There's an unending conflict between stagnation and innovation. If we ever stop innovating, we will stagnate. Second, whether in the military or whether in AAFMAA, I've known people who aspire and others who inspire. Some I've known have aspired for their own success, for their own glory, for their own promotion. And I've known two, General Babers



**Walt Lincoln, AAFMAA  
President and Treasurer**

## Annual Meeting Minutes

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**Members at the 138th Annual Meeting**

and General Merritt, who've inspired all of us so that AAFMAA would succeed. Two inspirational leaders are retiring today. General Babers, thank you. General Merritt, thank you.

This concluded the President and Treasurer's Report. A motion to approve the report of the President and Treasurer was made, seconded and approved unanimously

LTG Babers then called on BG Mike Meese (USA, Ret) to provide the results of the Nominating Committee and proxy balloting. The Nominating Committee consisted of: BG Rickie McPeak (USA, Ret), Chair; COL Kelly Ward (USA, Ret), Member; and COL Michael A Wright (USA, Ret), Member. The Association thanked the nominating committee for their time and effort.

The committee nominated: Brig Gen Jonathan D. George (USAF, Ret), for his 2nd Term; BG Mack C. Hill (USA, Ret), for his 1st Term; Chief MSgt Lewis E. Monroe, III (USAF Ret), for his 3rd Term; COL Dennis D. Porter (USA, Ret), for his 3rd Term; and GEN Dennis J. Reimer (USA, Ret), for his 1st Term. Proxies were received, duly counted and certified by an independent proxy service. All nominees were elected by the membership and their terms will continue until the Annual Meeting in 2021. This concluded the results of the Nominating Committee and proxy balloting. A motion to close the nominations and elect the nominees was made, seconded and the nominees were elected.

There being no new business, the 138th Annual Meeting of AAFMAA adjourned at 1245 hours.

## A Tribute to Two Great Generals:

# Babers and Merritt Leave AAFMAA Board

Two inspirational leaders retired from the AAFMAA Board at the 138th Annual Meeting, LTG Don Babers and GEN Jack Merritt. LTG Babers and GEN Merritt laid out a vision for AAFMAA—to ensure the financial independence and security of the military community. The outstanding results reported at the Annual Meeting are a testament to this grand vision. Their decades of leadership and exemplary service made a tremendous and lasting impact on AAFMAA, which will be seen for generations to come.



**LTG Don Babers**

LTG Babers became an AAFMAA Member in 1960 and joined the Board in 1992. He served as Vice Chairman of the Board and Chairman of the Finance Committee from 2000 through 2006, and became Chairman of the Board in 2006. With 25 years of dedicated service to AAFMAA, LTG Babers is both the longest serving Chairman and longest serving director in AAFMAA's history. During his time with AAFMAA, we started with \$1.3 billion of insurance in force, a single insurance product and a membership restricted to Army and Air Force only. Under his leadership, AAFMAA grew to more than \$25 billion of insurance in force with seven different products, and an expanded membership which includes all ranks and all services.

Underpinning all of this growth is financial strength, which was guided by GEN Merritt, who was not only Vice Chairman of the Board, but also Chairman of the Finance Committee. After a distinguished career in the Army and then as President of AUSA, GEN Merritt joined the AAFMAA Board in 2000. He served as Chairman of the Membership Committee from 2002–2006 then became Chairman of the Finance Committee and Vice Chairman of the Board. His 17 years of leadership made AAFMAA stronger than it has ever been. For example, the Entrepreneurial Investment Program, which was started by LTG Babers and continued by GEN Merritt, has earned an average annual interest rate of 10.2% for AAFMAA Members, all possible under the direct guidance of GEN Merritt. This strength will persist for years, providing AAFMAA with an incredibly solid foundation for future expansion.



**GEN Jack Merritt**

LTG Babers' and GEN Merritt's wisdom, expertise and prestige have been a tremendous benefit to AAFMAA for the past 25 years, and every member has benefited from their guidance. AAFMAA is a stronger and better organization because of their efforts. It has been our privilege and honor to receive their guidance and support.



## ASSET PROTECTION



# Ready for the Next Storm?

Hurricanes Harvey, Irma, and Maria were historic storms causing record damage along the Texas Gulf Coast, in Florida, and Puerto Rico. It affected many AAFMAA Members and we worked closely with them to ensure the protection they've put in place for their loved ones remained unaffected. The storms reminded us of the need to prepare in advance for the unknown. Whenever catastrophe strikes, the well-being of you and your family is top priority. Here are three items to consider now, before an emergency occurs.

► **Keep AAFMAA Updated.** Our staff can update your address or phone number if you are away from home. If you are concerned about avoiding a policy lapse, we can set up electronic access or recurring payments so your policy remains current. The grace period for AAFMAA's life insurance policies, as stated in your terms in conditions, is 61 days, which is longer than that of most companies. On a case-by-case basis we may be able to extend that grace period in extenuating circumstances.

► **Access to Funds.** If you have a whole life insurance policy, you may be able to borrow up to 75% of the cash value of the policy. This could provide immediately available funds while you are waiting for money from insurance or government. The current crediting rate for Value-Added Whole Life policies in 2018 will be 5.75% and the interest rate AAFMAA charges on loans is just one percent more—6.75% for any policy loans.

► **Access to Files.** AAFMAA has a Digital Vault in which we can securely store a copy of all of your important records. That way, as you are moving or if your original documents are destroyed, we can help provide copies so you can replace lost files. At a minimum, you should keep the following records on file with AAFMAA in your Digital Vault.

- DD Form 214
- VA Disability Awards
- Latest/Final LES/Retired Pay Statement
- Marriage/Divorce Documents
- Birth Certificates and Death Certificates

To access or store your documents in your AAFMAA Digital Vault, log into the Member Center, select "My Documents," and then "Digital Vault."

Your AAFMAA life insurance policy provides protection for those you love. We stand ready to assist you to keep that protection in force.

## CONTACT



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COMPASSION • TRUST • PROTECTION

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**LIFE INSURANCE****Sales**

Toll-free: (800) 522-5221, option 1

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**Policy Services**

*Payments, policy loans, beneficiary changes, address updates*

Toll-free: (800) 336-4538

Email: [PolicyServices@aafmaa.com](mailto:PolicyServices@aafmaa.com)

**Member and Survivor Benefits**

*Death claims, vault documents, VA assistance, benefits counseling, Family Information Report (FIR)*

Toll-free: (800) 522-5221, option 2

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**AAFMAA WEALTH MANAGEMENT & TRUST LLC**

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**AAFMAA MORTGAGE SERVICES LLC**

*Home Purchasing, Refinancing, Construction Loans*

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# AAFMAA® Advantage

YEAR END 2017

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**AAFMAA—**  
Solutions for  
**Your** Financial  
**Future**