



AAAFMAA

COMPASSION • TRUST • PROTECTION

2013 ANNUAL REPORT

Serving military families since 1879



AAFMAA BOARD OF DIRECTORS

AS OF 31 DECEMBER 2013

EXECUTIVE COMMITTEE



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Chairman, Finance
Committee*



WILLIAM J. LENNOX, JR.
*LTG, USA, Retired
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Committee*



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*MAJ, USA, Retired
President and Treasurer*

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CMSgt, USAF, Retired



**WILSON A. (BUD)
SHATZER, JR.**
COL, USA, Retired



JONATHAN D. GEORGE
Brig Gen, USAF, Retired

OUR MISSION: to be the premier provider of insurance, financial and survivor services to the American Armed Forces Community.

FINANCE COMMITTEE



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MACK C. HILL
BG, USA, Retired



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CMSgt, USAF, Retired

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President and Treasurer

TIANA FALLAVOLLITA
Assistant to the President

BRADY M. GRULER, FLMI
Vice President for Marketing

MICHAEL J. MEESE, PhD
Chief Operating Officer and Secretary

CHARLES B. BETANCOURT
Chief Operating Officer, AAFMAA Property LLC

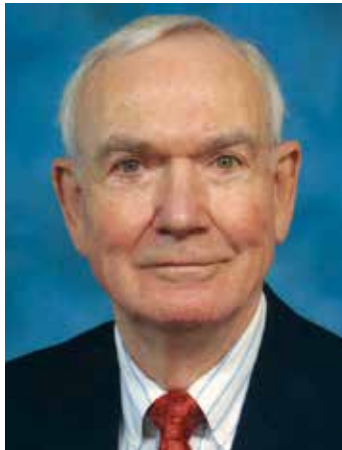
JAMES M. MALLEY, CPA
*Executive Vice President and Chief Operating Officer
AAFMAA Member & Survivor Benefits LLC*

RICHARD CONVY, CPA, CFA
President, AAFMAA Wealth Management & Trust LLC



MESSAGE TO MEMBERS

From The Chairman



Dear Fellow Members,

This report covers AAFMAA's outstanding results for 2013, the 134th Annual Report. As I write these thoughts AAFMAA has entered 2014; during which we'll recognize our 135th Anniversary . . . longer than any other military aid association.

Like many members, when I joined in August of 1960, AAFMAA (then called Army Mutual) offered only one type of insurance (Value-Added Whole Life) and only in a very limited amount. And back then the only services were the opportunity

6.6%
Crediting
Rate

to hold records in the vault and expeditious lump sum payment of a death benefit to survivors. What a delight to report today that AAFMAA (which now includes all branches of the American Armed Forces) offers multiple types of life insurance for members, spouses, children and grandchildren to meet all life insurance needs during all parts of life. Our Association now offers a variety of services to assist members and their survivors. More lower cost policies; expanded and improved services.

Throughout all these years of growth and expansion AAFMAA has remained true to its core values: COMPASSION, TRUST, PROTECTION. These values play such a central role in what we believe and what all fellow members expect that we incorporated them into our new logo.

Your staff serves you and only you . . . delivering superlative personal service every day . . . always demonstrating our core values. Many employees also serve in the National Guard or Reserves, others have retired from one of the Armed Forces, and others are the spouse of a service member. In fact, 32% of the employees are "military related". This helps them understand members' needs. They are incredibly loyal and dedicated to providing solutions for you. As just one example, Gail Eiben has loyally served members for over 43 years.

Recognizing that AAFMAA, for 135 years, has always been operated solely for the benefit of members and survivors it's not surprising that in 2013 members, Insurance-in-Force, Policies-in-Force, Lives Insured, Members, Total Assets and Capital, ALL reached all-time highs. As a pure, non-profit mutual aid association AAFMAA returns all available funds to members and policy holders. One way we do that is through our high Crediting Rate of 6.6%. Also, please remember that your directors serve without compensation. I'm humbled to have been elected as Chairman by my fellow directors and deeply honored to serve every member.

32%
Military
Related
Employees

Respectfully,

A handwritten signature in black ink that reads 'Donald M. Babers'.

DONALD M. BABERS
Lieutenant General, USA, Retired
Chairman, Board of Directors

MESSAGE TO MEMBERS

From the President and Treasurer



Dear Fellow Members,

The American Armed Forces Mutual Aid Association (AAFMAA) turned 135 years old in January 2014. AAFMAA is **THE** oldest mutual aid association, now serving all branches of the American Armed Forces. And, unlike some other organizations where almost anyone can join, at AAFMAA, membership can be earned **ONLY** by actually serving in the Marine Corps, Army, Navy, Air Force or Coast Guard. This very select membership is only one of the many reasons why AAFMAA can provide insurance and services at such low cost.

Through war, depression and recession, financial panic and inflation . . . since 1879 AAFMAA has continued to grow and return ever greater benefits to members. The results for 2013 illustrate that steady, reliable growth. The Net Yield on Assets (NYA) was 4.6% . . . in an environment of continuing low interest rates. The NYA is particularly important for survivors receiving an annuitized settlement. Each year annuitants receive a guaranteed return, currently 4%, paid monthly. On May 1st we send a "13th check" or bonus for the amount that the NYA exceeds the guaranteed interest rate.

AAFMAA returned benefits to members and survivors in four additional direct ways:

| | |
|----------------------------|----------|
| ■ Death Benefits | \$53.0M |
| ■ Cash Value Increases | \$ 17.4M |
| ■ Term Insurance Refunds | \$ 0.8M |
| ■ Member/Survivor Services | \$ 2.5M |
| | <hr/> |
| | \$ 73.7M |

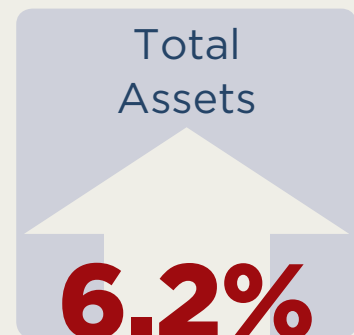


This record direct return to members and their loved ones increased by 8.5% over returns the previous year.

2012 = \$67.9M

2013 = \$73.7M

Another way we return benefits to members is by continuously making AAFMAA's financial foundation stronger. Total admitted assets, on an amortized value basis, grew to \$1.1 billion, a \$64 million increase or 6.2% over 2012. In a simplified explanation, "admitted assets" excludes any market value on bonds above cost. The reported growth would be even higher if we included the market values of bonds. AAFMAA invests using a very disciplined, long term, relative value approach. Buying when others are fearful and holding until values recover permits us to capture attractive returns for members.



As LTG Babers noted, the great investment returns in 2013 allowed the Board of Directors to approve a **6.6% Crediting Rate** for 2014. The Crediting Rate is the rate at which interest is added to the cash values of Value-Added Whole Life policies and **ANNUITY** Life policies. Where else can members get a 6.6% Crediting Rate?



COMPASSION • TRUST • PROTECTION

Capital and Surplus

34.9%

Significantly, in addition to the Total Assets growing, the Association's Capital and Surplus (our net worth) grew by 34.9% (the fastest rate of growth ever) to an **all-time high**. This illustrates the continued strength of our Association.

Great returns to members and survivors, high crediting rate, and continued strength has made AAFMAA a trusted Association in turbulent times. Your trust led to continued growth in life insurance sales, even while the Armed Forces are being forced to downsize.

Results for 2013 Include:

- Insurance sold \$2.0 billion
- Insurance in Force 1.3% increase to \$25.4 billion
- New policies issued 6,543
- Policies in Force 0.5% increase to 124,145
- New members joining 4,176
- Total Lives Insured 0.8% increase to 102,382
- Total Membership 90,532

AAFMAA benefits from its two greatest assets, neither of which appears on the balance sheet: (1) trust of our members, and (2) truly unique and valued employees who deliver superlative, personal service to members and our families. Great success depends upon a great team. Please review the following pages to read comments by the leaders of each area:

Mike Meese, COO and Secretary of AAFMAA, offers a fresh perspective on life insurance and the Association overall.

Jim Malley, Executive Vice President and COO of AAFMAA Member & Survivor Benefits LLC, updates information on our unique core services. He and his team continue to streamline processes for the ease of members and survivors alike, including a new online "Report a Death" capability.

Rick Convy, President of AAFMAA Wealth Management & Trust LLC, reports their growing success. An expanded team provides financial planning, investment management and trust services limited to and specifically designed for military members and their families eligible for joining.

Charlie Betancourt, COO of AAFMAA Property LLC, reviews the expansion of real estate investments which help diversify our assets.

Read about AAFMAA's military spouse website SpouseLink.org™. This exciting online community helps all military spouses to "Stay Informed. Get Support. Be Inspired." Go online and check it out. Contribute to the discussion and help others.



As I look back and reflect on the successes of 2013, I'm eager to move forward on our 135th year of service to the men, women and families of the American Armed Forces Community. AAFMAA exists **solely** for you; no stockholders, no investors; simply and singularly for you, your family and your survivors. Thank you for your continued trust and membership.

Sincerely,

WALTER R. LINCOLN, CFP®
MAJ, USA, Retired
President and Treasurer

AAFMAA IS COMPASSIONATE

*This is at the heart of the way we operate and deliver outstanding levels of service to members.
It is the glue that binds AAFMAA together. It brings to life our core personality traits
of being empathetic, sincere and passionate.*

AAFMAA 2013 OVERVIEW

31 DECEMBER 2013

COMPARATIVE HIGHLIGHTS

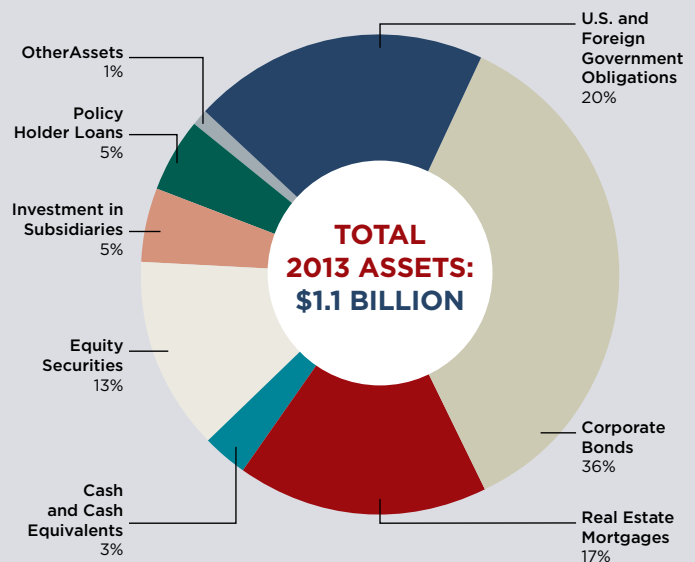
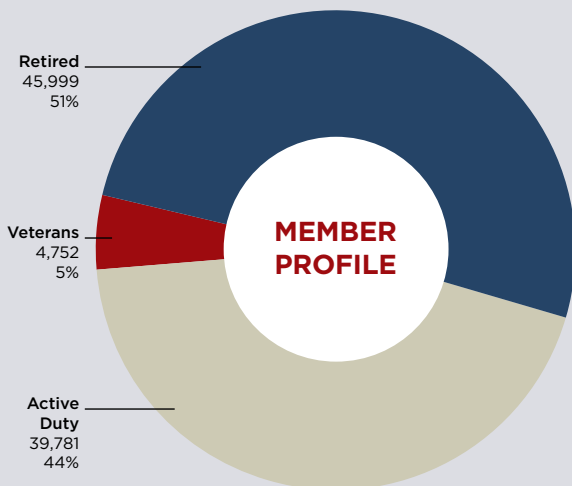
| | 2013 | 2012 |
|-----------------------------------|----------|----------|
| Insurance in force (\$ millions) | \$25,399 | \$25,085 |
| Total reserves (\$ millions) | \$1,046 | \$978 |
| Number of members | 90,532 | 90,462 |
| Number of member deaths | 961 | 903 |
| Death benefits paid (\$ millions) | \$53 | \$50 |
| Net Yield on Assets | 4.6% | 4.8% |

WHO CAN BE A MEMBER? All ranks of Air Force, Army, Coast Guard, Marine Corps, and Navy who are Active Duty, (or within 120 days after separation), Retirees, National Guard or Reserve (full or part time), Honorably Discharged Veterans, USAFA, USCGA, USMA, USMMA, and USNA midshipmen or cadets and ROTC contract/scholarship cadets. All veterans can benefit from services and non-insurance products regardless of residence but must reside in AZ, CT, FL, HI, MD, NC, OK, RI, SC or VA to be eligible to purchase life insurance.

SUMMARY OF ASSETS

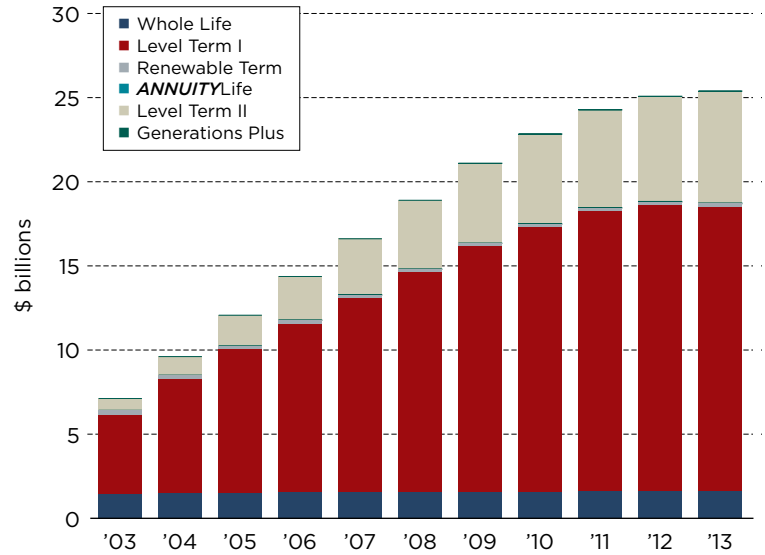
| INVESTMENTS | ADMITTED ASSET VALUE | MARKET VALUE |
|---|-------------------------|-------------------------|
| U.S. and Foreign Government Obligations | \$ 218,582,657 | \$ 213,483,910 |
| Corporate Bonds | 399,547,187 | 446,122,859 |
| Real Estate Mortgages | 190,882,020 | 190,882,020 |
| Cash and Cash Equivalents | 31,617,616 | 31,618,205 |
| Equity Securities* | 138,442,763 | 138,442,763 |
| Investment in Subsidiaries | 57,230,845 | 57,230,845 |
| Accrued Investment Income | 9,172,920 | 9,172,920 |
| TOTAL INVESTMENTS | \$ 1,045,476,008 | \$ 1,086,953,522 |
| Policy Loans | 52,557,774 | 52,557,774 |
| Property & Equipment | 368,911 | 368,911 |
| Other Assets | 2,606,278 | 2,606,278 |
| TOTAL ASSETS | \$ 1,101,008,971 | \$ 1,142,486,485 |

*Valued at market



INSURANCE IN FORCE

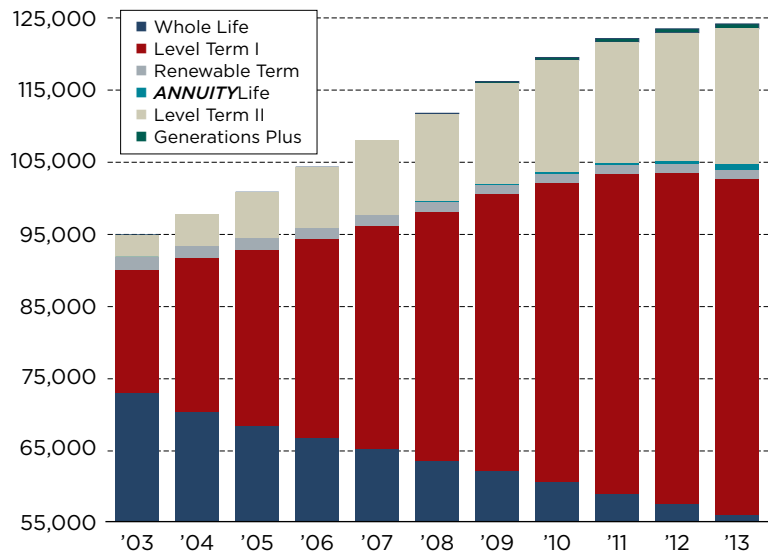
| | |
|---|-------------------------|
| Insurance in Force, beginning of year . . . | \$25,084,751,121 |
| Insurance sold | \$1,962,794,136 |
| Death benefit growth | \$8,998,599 |
| Death benefits incurred | (\$52,976,834) |
| Other terminations | (\$1,604,189,424) |
| INSURANCE IN FORCE, end of year . . | \$25,399,377,598 |



POLICIES IN FORCE

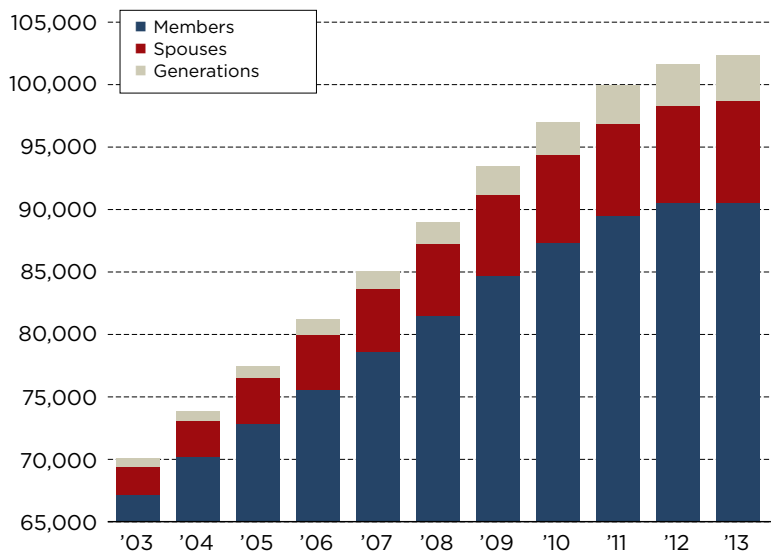
| | |
|---|----------------|
| Policies in force, beginning of year | 123,478 |
| New policies issued | 6,543 |
| Policies ended by death | (1,457) |
| Other net policy terminations | (4,419) |
| POLICIES IN FORCE, end of year | 124,145 |

Note: Beginning balance includes 167 Service Only (SO) policies and ending balance includes 160 SO policies.



LIVES INSURED

| | |
|--|----------------|
| Members, beginning of year | 90,462 |
| Gains | 4,176 |
| Losses | (4,106) |
| Members, end of year | 90,532 |
| Spouses, Generations, beginning of year | 11,153 |
| Gains | 948 |
| Losses | (251) |
| Spouses, Generations, end of year | 11,850 |
| LIVES INSURED, end of year | 102,382 |



AAFMAA IS TRUSTED

*Over the past 135 years we have built exceptional levels of trust with our members and their families.
They trust AAFMAA to always do the right thing by them. To be on their side.
To do what we say and say what we do. Each time. Every time.*

Summary of Admitted Assets, Liabilities and Reserves

STATUTORY BASIS ■ FOR THE YEAR ENDED DECEMBER 31, 2013

ADMITTED ASSETS

| | |
|--|--------------------------------|
| U.S. and Foreign Government Obligations | \$ 218,582,657 |
| Corporate Bonds | 399,547,187 |
| Real Estate Mortgages | 190,882,020 |
| Cash and Cash Equivalents | 31,617,616 |
| Equity Securities | 138,442,763 |
| Investment in Subsidiaries | 57,230,845 |
| Accrued Investment Income | <u>9,172,920</u> |
| Total Investments | \$ 1,045,476,008 |
| Policy Holder Loans | 52,557,774 |
| Property and Equipment Net of Accumulated Depreciation | 368,911 |
| Other Assets | <u>2,606,278</u> |
| Total Admitted Assets | <u>\$ 1,101,008,971</u> |

LIABILITIES AND RESERVES

Liabilities

| | |
|----------------------------|----------------------|
| Death Benefits Payable | \$ 18,824,413 |
| Settlement Options Payable | 22,913,937 |
| Other Payables | 12,985,195 |
| Total Liabilities | \$ 54,723,545 |

Reserves

| | |
|-----------------------|-----------------------------|
| Insurance and Other | \$ 818,272,795 |
| War Risk | 26,533,425 |
| Interest Maintenance | 45,117,720 |
| Contingency Reserve | 156,361,486 |
| Total Reserves | <u>1,046,285,426</u> |

Total Liabilities and Reserves **\$ 1,101,008,971**

For a copy of the full, audited Financial Statements, please email finance@aafmaa.com.



AAFMAA IS A PROTECTOR

*To our members we are their Guardian Angels, Trusted Advisors and Defenders of their rights and assets.
A Friend in a time of need and an Enlightened Guide that leads them expertly and confidently
through the complex maze of benefits and claims.*

Summary Statement of Income

STATUTORY BASIS ■ FOR THE YEAR ENDED DECEMBER 31, 2013

INCOME

| | | |
|--|---------------|----------------|
| Premiums, dues, supplemental contracts | \$ 56,268,925 | |
| Net Investment Income | 42,643,166 | |
| Amortization of Interest Maintenance Reserve | 5,490,454 | \$ 104,402,545 |

BENEFITS AND EXPENSES

| | | |
|---|---------------|---------------------|
| Death Benefit Claims | \$ 52,976,834 | |
| Less war claims | (250,000) | |
| Less actuarial adjustment | (113,452) | |
| Net Death Benefit Claims | \$ 52,613,382 | |
| Surrender Benefits and Supplemental Contract Payments | 8,337,487 | |
| Service Benefits | 2,491,180 | |
| Premium Refunds, Term Insurance | 782,888 | |
| Increase in Insurance Expense (Reserves) | 18,771,312 | |
| General Administrative and Operating Expenses | 11,363,035 | (94,359,284) |
| Excess Interest Credited to Policies | | (9,117,760) |
| Net Realized Gain on Investments | | 1,286,272 |
| Net Income | | \$ 2,211,773 |

Summary Statement of Cash Flows

STATUTORY BASIS ■ FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|---------------|---------------|
| Cash collected for Premiums, Services and Investment activities | \$ 97,535,346 | |
| Cash used for Vendors, Suppliers and Personnel related costs | (14,590,914) | |
| Cash used to pay Member Benefits and Services | (60,344,324) | |
| Net Cash Provided by Operating Activities | | \$ 22,600,108 |
| Net Cash Used in Investing Activities | | (35,435,720) |
| Decrease in Cash and Cash Equivalents | | (12,835,612) |

CASH AND CASH EQUIVALENTS

| | |
|-----------------------------|---------------|
| Beginning of Year | \$ 44,453,228 |
| End of Year | \$ 31,617,616 |

For a copy of the full, audited Financial Statements, please email finance@aafmaa.com.

From the Chief Operating Officer and Secretary

When I retired from the Army last summer, I had been an AAFMAA member for over 20 years, but, like many of you, I had not realized why AAFMAA is such a great association. Now, as Chief Operating Officer for the past year, let me update you on this year's progress by telling you what makes AAFMAA different and special:

FIRST, OUR HISTORY. As Walt Lincoln mentioned in his letter, we have 134 years of experience taking care of members and their families. We continually work to provide better PROTECTION, with COMPASSION, that you can TRUST. Last year we paid \$53 million in death benefits, providing income and security for over 1,450 families. With the compassion and trust you depend on, we work with each family to achieve the purpose of AAFMAA's establishment in 1879, *"to aid the families of the deceased members in a prompt, simple and substantial manner."*

SECOND, OUR PRICES. As a non-profit, membership association, focused on the needs of military members and families, we provide similar or better products than anyone else and do so at the lowest possible prices. In July 2014, our Level Term I policy premium rates will again be reduced, so that every member of the American Armed Forces can get *more insurance coverage from AAFMAA for less money than from SGLI or any other reputable organization.* The point is not just to save money, but to better protect military families. I recently spoke to a battalion going to Afghanistan and explained to them that they can get \$100,000 of added protection for their family *and* actually save money through AAFMAA. That takes better care of the service member and their family, which is what we're here for. As you can see from the insurance charts on previous pages, that is why our Insurance in Force has grown to \$25.4 billion, providing 124,145 policies that protect the lives of 102,382 members, spouses, children, and grandchildren.

THIRD, OUR PRODUCTS. Like many of you, when I became an AAFMAA member, the only product was whole life coverage which you could only buy in increments of \$5,000. We now have seven different products to cover the needs of military families for a lifetime:



MICHAEL J. MEESE, PH.D.
BG, USA, Retired
 Chief Operating Officer and
 Secretary

- Generations Plus policies—for children and grandchildren, ages 0 to 14
- Four types of term policies—one of which is right for every age from 18 to 80
- Our traditional Value-Added Whole Life—providing permanent protection for all ages including a Long Term Care Settlement Option at no additional cost
- **ANNUITY**Life—to safely build wealth, with protection, especially for those in retirement

The last two products benefit from the extremely effective investment strategy that Walt described. Value-Added Whole Life and **ANNUITY**Life earned a 6.8% Crediting Rate in 2013 and currently earn an equally impressive 6.6% crediting rate for 2014 (NOT guaranteed) and have provided significant cash value accumulation for members and policy owners.

FOURTH, OUR MEMBERS AND FAMILIES. It's great to work with a diverse spectrum of members, almost equally divided between those still serving on active duty (including Guard and Reserve), those who have retired, and other veterans. Now that AAFMAA Membership has expanded to the Navy, Marine Corps and Coast Guard, we are delighted to provide superlative, personal service to all members of the American Armed Forces. So please *let your friends know about AAFMAA* so they can become members too!

FINALLY, OUR PEOPLE. Just like in the military, the best reason to come to work each day is to serve in a values-based environment with others who are committed to helping members of the American Armed Forces and their families. We have an exceptional team of life insurance professionals, many of whom earn new credentials each year. Many are former military, some are currently serving reservists, others are military spouses, and everyone comes to work each day with one goal in mind—to *help AAFMAA take better care of the American Armed Forces.* It's a pleasure to be part of such an exceptional team and we stand ready to serve you with COMPASSION, TRUST and PROTECTION.



AAFMAA LIFE INSURANCE PRODUCTS*

ANNUITYLife

Our fastest growing product. Designed specifically for the needs of older members who want a life insurance policy with a high, guaranteed return.

- NO strings attached
- NO surrender charges
- NO commissions
- NO penalties (for those over 59 1/2)
- Simple 3-question underwriting
- 6.6% Crediting Rate for 2014 (subject to change, higher or lower for future years; 4.5% minimum guarantee).
- Single Premium Payment (minimum \$8,170)
- Coverages from \$10,000 to \$1,000,000

After 0.5% cost for insurance and expenses, the net benefit is 6.1%—amazing in today's low interest rate environment! And, you can annuitize the policy at any time to guarantee a stream of income for life.



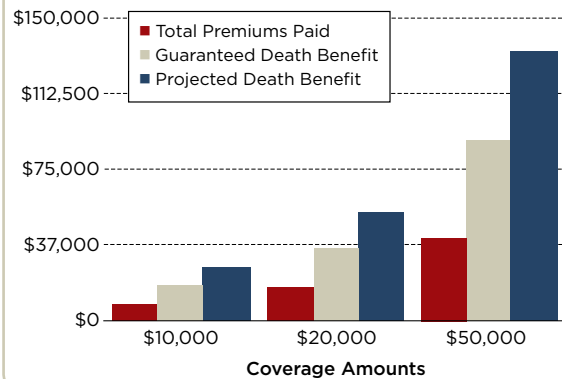
Frankly, if you have cash and want guaranteed growth and whole life coverage, you should purchase an **ANNUITYLife** policy.

Get 6.6% Crediting Rate today!

1-877-398-2263

ANNUITYLife 20 YEAR VALUE PROJECTION

Issued at age 65, Single Payment, projected crediting rate of 6.6%, NOT guaranteed and subject to change.



Value-Added Whole Life

Our foundation product. Should be a **fundamental part of everyone's financial plan**. Permanent insurance that provides the following lifetime benefits:

- Builds cash value every month
- 6.6% Crediting Rate for 2014 (subject to change, higher or lower for future years; 4.5% minimum guarantee).
- Remains throughout your life
- Can borrow up to 75% of cash value
- Includes Long Term Care Settlement Option
- Proceeds generally pass tax free to beneficiaries
- Never an increase in premium



Why is it better than any other permanent insurance?

- NO surrender charges
- 100% money back guarantee
- Includes AAFMAA's exclusive **Survivor Assistance Services**
- Includes **Long Term Care Settlement Option (LTCSO)**

Long term care can cost a lot. Many members increase their Value-Added Whole Life policies **in lieu of purchasing long term care insurance**. The LTCSO permits conversion of the death benefit to be paid during the life of the insured in monthly payments before death, specifically to defray the costs of a nursing home, custodial, or home health care. If you never need it, nothing lost; the policy stays in force, and pays out tax-free to your beneficiaries at the time of death.

Let us illustrate how fast your coverage grows.

Call 1-877-398-2263

AAFMAA LIFE INSURANCE PRODUCTS

Save over AARP today!

1-877-398-2263

EZ Term

Introduced last year, EZ Term, our newest life insurance product, provides affordable, term coverage with a simple, quick application. EZ Term is especially appropriate for older members and spouses who want affordable, renewable life insurance protection with limited medical requirements through age 80.



EZ Term rates below: (rates increase each time you move up on a five year age band)

Better than AARP:

- Same coverage
- Lower rates
- Includes Survivor Assistance Services for members

Term coverage, minimal underwriting, low cost. Save money over AARP. Choose EZ Term.

| Issue Age | COVERAGE AMOUNT* | | | | | | | | | |
|-----------|------------------|---------|----------|---------|----------|----------|----------|----------|-----------|----------|
| | \$10,000 | | \$25,000 | | \$50,000 | | \$75,000 | | \$100,000 | |
| | Male | Female | Male | Female | Male | Female | Male | Female | Male | Female |
| 45-49 | \$10.28 | \$8.04 | \$20.62 | \$14.94 | \$39.03 | \$27.24 | \$48.27 | \$33.15 | \$57.78 | \$39.24 |
| 50-54 | \$12.07 | \$9.41 | \$25.18 | \$18.44 | \$48.49 | \$34.48 | \$60.20 | \$42.22 | \$72.24 | \$50.19 |
| 55-59 | \$16.31 | \$12.94 | \$35.95 | \$27.41 | \$70.85 | \$53.12 | \$88.39 | \$65.52 | \$106.46 | \$78.28 |
| 60-64 | \$22.37 | \$18.40 | \$51.36 | \$41.27 | \$102.84 | \$81.90 | \$128.71 | \$101.51 | \$155.33 | \$121.69 |
| 65-69 | \$28.79 | \$24.64 | \$67.69 | \$57.13 | \$136.76 | \$114.84 | \$171.49 | \$142.68 | \$207.23 | \$171.33 |
| 70-74 | \$40.19 | \$35.85 | \$96.65 | \$85.61 | \$196.89 | \$173.97 | \$247.28 | \$216.62 | \$299.15 | \$260.51 |

*Monthly premiums shown.

Level Term I

Level Term I life insurance matches life insurance coverage provided by SGLI—but better! SGLI \$400K of coverage is increasing to \$28/month; Level Term I \$400K of protection is only \$19/month—and drops to \$18.15 on July 1, 2014. **Get more protection for your family for less.**



Better than SGLI:

- Stays with you after the military
- Up to \$800,000 coverage at the lowest rates possible
- Includes AAFMAA's exclusive **Survivor Assistance Services**, for your peace of mind (AAFMAA ensures your family gets all the military, veterans, Social Security, and other benefits to which they are entitled)
- Available for members, spouses, vets, children and grandchildren.

| COVERAGE | MONTHLY PREMIUM | |
|-----------|-----------------|-----------------|
| | SGLI* | AAFMAA* |
| \$100,000 | \$ 7.00 | \$ 5.90 |
| \$200,000 | \$ 14.00 | \$10.55 |
| \$250,000 | \$ 17.50 | \$12.45 |
| \$300,000 | \$ 21.00 | \$14.35 |
| \$400,000 | \$28.00 | \$18.15 |
| \$500,000 | n/a | \$ 21.95 |
| \$600,000 | n/a | \$25.75 |
| \$700,000 | n/a | \$29.55 |
| \$800,000 | n/a | \$33.35 |

*Rates effective 1 July 2014.

Other great features:

- \$10,000 of coverage on all children, up to age 21, at no additional charge, with member's policy
- Convert to 5-Year Renewable Term insurance (at age 38 [nicotine users] or age 48 [non-nicotine users]) with no medical exam
- Convert to Value-Added Whole Life insurance with no medical exam at any time

Apply Online—**www.aafmaa.com**

AAFMAA LIFE INSURANCE PRODUCTS

Level Term II

Level Term II Insurance is designed to continue coverage for members and spouses ages 35 to 75, usually during the period when Level Term I coverage would be ending. Available up to \$800,000 with terms from 5 to 30 years. Depending on your health conditions, Level Term II can **save you thousands of dollars** compared with VGLI or other comparable civilian plans.



Protect your family while they depend on your income. Level Term II is a great way to do that during the “second half” of your career.

Save thousands over VGLI—
www.aafmaa.com or
1-877-398-2263

COMPARISON TO VGLI \$400,000 COVERAGE

| 20 Years of VGLI, Starting at Age 45 | 20 Years of Level Term II Starting at Age 45* | Savings with AAFMAA |
|--------------------------------------|---|---------------------|
| \$55,920 | \$9,552 | \$46,368 |

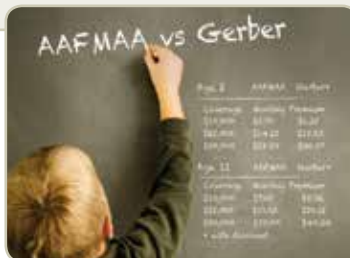
COVERAGE AMOUNT*

| Issue Age | \$100,000 | | \$250,000 | | \$500,000 | |
|-----------|-----------|---------|-----------|---------|-----------|---------|
| | Male | Female | Male | Female | Male | Female |
| 45 | \$7.40 | \$6.70 | \$14.00 | \$12.25 | \$25.00 | \$21.50 |
| 50 | \$10.20 | \$8.70 | \$21.00 | \$17.25 | \$39.00 | \$31.50 |
| 55 | \$15.50 | \$12.20 | \$34.25 | \$26.00 | \$65.50 | \$49.00 |
| 60 | \$23.80 | \$16.70 | \$55.00 | \$37.25 | \$107.00 | \$71.50 |

*Best rate class, monthly premiums shown. Rates may be higher depending on age, health, and lifestyle. Subject to complete terms and conditions

Generations Plus

Generations Plus, a whole life policy, insures a child or grandchild (15 days to 14 years old) with coverage that doubles when the child turns 18. Guarantees they will be able to buy additional insurance in the future with no medical exams, totaling up to 10 times the original insurance.



Generations Plus has all the same features as the Gerber Grow Up Plan®, but is better because:

- Generations Plus is **less expensive**.
- Purchasing one AAFMAA policy ensures that your child or grandchild **can purchase other AAFMAA insurance** in the future.
- Includes Long Term Care Settlement Option.

Call toll-free today!

1-877-398-2263

Locking in a low-rate for your children or grandchildren when they are young, as well as guaranteeing their ability to get more insurance as adults, is a gift that they will treasure for a lifetime.

EXAMPLE COVERAGE

| ISSUE AGE | \$10,000 | \$20,000 | \$30,000 | \$40,000 | \$50,000 |
|---|-----------|-----------|-----------|-----------|-----------|
| At Age 18 (coverage doubles with no premium increase) | \$20,000 | \$40,000 | \$60,000 | \$80,000 | \$100,000 |
| By Age 35 or 40 (if all four guaranteed options are executed) | \$100,000 | \$200,000 | \$300,000 | \$400,000 | \$500,000 |

From the Executive Vice President and Chief Operating Officer

It is my pleasure to work with a team of talented professionals serving our members and survivors. To provide clarity on the purpose of our function within AAFMAA (and to avoid any confusion with AAFMAA Wealth Management & Trust LLC), in 2013, AAFMAA Financial Advisors LLC was renamed AAFMAA Member & Survivor Benefits LLC. This change highlights our responsibilities as a division of AAFMAA—assisting members with their government and military benefits and survivors with the claims process and beyond once a member has passed.

2013 highlights include:

- Procured all entitlements for 961 new AAFMAA member widows(ers)



JIM MALLEY
Executive Vice President and
Chief Operating Officer

- Continued **LIFETIME** assistance for nearly 14,000 widows(ers)
- Implemented e-FIR (electronic Family Information Report) for members and survivors through the AAFMAA Member Center—safe, secure, convenient
- Filed 801 member Veterans Administration claims—**17% increase** over 2012—resulting in retroactive payments to members totaling **\$414,790—29% increase** from 2012

AAFMAA Member & Survivor Benefits LLC's Net Income for 2013 was \$294,043. Our share of AAFMAA overhead costs was \$604,245. Total benefit to AAFMAA members and their survivors in 2013—\$898,288.

Survivor Assistance Services



You didn't buy life insurance for yourself; you bought it for your loved ones. The goal: Provide for their financial security when you pass. Equally important

is being able to TRUST those who you choose will **take care** of your survivors at the time of the member's death and for the remainder of the survivor's life. Service members become AAFMAA members because they TRUST that their loved ones will be treated with compassion and respect. AAFMAA's Survivor Benefits team does just that.

"Thank you (from the bottom of my heart) for your help—I would have been "lost" without you!"

NORA JANE, AAFMAA WIDOW

"Ms. Sealy very carefully and patiently guided me through a most difficult time after my husband's demise. It is to her credit that she provided me with information with regard to my VA benefits, whereby I was able to successfully apply for and receive a DIC benefit. I had many questions, and contacted her often; but she was always patient and kind and never made me feel as though I was imposing on her good nature."

ELEANOR, AAFMAA WIDOW

We help your family with critical immediate steps:

- Notify DFAS of the member's passing (so you don't have to)
- Assist widows and widowers with all necessary forms (we know the what, when, where, and why)
- Initiate the AAFMAA life insurance claim and discuss all settlement options

AAFMAA MEMBER AND SURVIVOR SERVICES

- Notify VA of the member's passing—assist with all necessary forms and applications

And there's so much more. To ensure we have what is needed to give the best service, here's what you can do:

Help Us—Help Your Family

- Keep your Personal & Family Information up to date via the AAFMAA Member Center.
- Keep your Beneficiary Designation current at all times.
- Ensure loved ones know where to locate your important records (if they aren't already stored with AAFMAA).

"Thank you for all of your patience and kindness. You have made a difficult time much easier."

GINGER, AAFMAA WIDOW

"Angel not only made sure that the Insurance payments were applied for immediately but also were paid promptly and led me thru all the unending paperwork. She was professional, always available and most kind through an impossible task. She has made the most difficult time in my life easier and I will never be able to thank her enough. I am grateful that people like Angel (what an appropriate name) still exist in the world."

INGE, AAFMAA WIDOW

Tell your loved ones to be sure and make AAFMAA the first call when the time comes (or alternatively they can go to www.aafmaa.com and report the death online 24/7).

Survivor Assistance Services—
**Call 1-800-522-5221,
Option 2**

Premier Services



Premier Services is designed specifically to meet the needs of military members, veterans and their families. If you joined AAFMAA after 1 July 2000, you are eligible to become a Premier Services member.

Breathe Easy—our experienced team is ready to help you make the most of your military benefits and entitlements so you can enjoy peace of mind.

Here's what you get:

- **VA Disability Claims Coordination**—We'll personally prepare, review, submit and follow-up throughout your VA claims process.

"I'm so grateful that someone is willing to help me and that you have really gone above and beyond to get it going for me. It means a lot that someone took the time to care."

SRA KRISTIE R., PREMIER SERVICES MEMBER SINCE 2003

- **Digital Vault**—safeguarding your family's most important documents; offering 24/7 digital access via our secure online Member Center vault.

"Love the Digital Vault!!!! What a great thing. Thanks for the improvements. I sleep easy at night knowing that, should something happen to me, AAFMAA is there for my survivors. Thank you. Thank you. Thank you."

COL CHRISTOPHER L., AAFMAA MEMBER SINCE 1988

- **Military Benefits Analysis and Transition Readiness Assessment**—helping you sort through what's important to ensure you get all of your benefits and entitlements.

"Thank you so much for taking so much time with me. I have some homework but I really learned a lot. I am very grateful for your assistance, good humor and professionalism. I also appreciate the time Survivor Benefits and Wealth Management spent with me. Please convey my regards for their advice."

COL JAMES S., AAFMAA MEMBER SINCE 1975

For less than 20 cents a day (\$5.95 a month), experience the difference and expand your AAFMAA membership. Apply online at www.aafmaa.com/Premier Services.

Start Today—
**Call 1-800-522-5221,
Option 2**

From the President

Since opening our doors on October 1, 2012, AAFMAA Wealth Management & Trust LLC (AWM&T) has been serving members and military families by providing Financial Planning, Investment Management and Trust Administration Services. In 2013, our financial planning services helped members determine:

- achievable retirement ages
- the tax impact of a relocation
- the appropriate asset allocation for their particular goals
- the impact that a bear market might have on their plans.

Through our Investment Management services, we manage both taxable and tax-exempt investment accounts, customizing the portfolios to complement the asset allocation of a member's outside accounts. Our work with trust beneficiaries helped them understand what they will be receiving from the trust and how to best incorporate it into their overall financial picture. Daily,



RICHARD CONVY
President, AWM&T

we field inquiries from members with questions about their estate planning and review proposed documents to be sure that they accomplish what the member is setting out to do. We also review existing investment portfolios to be sure they reflect your specific goals and risk tolerance.

All our employees are salaried. They do not receive any compensation based upon their

recommendations or any of the investment products used. As a chartered trust company we have a fiduciary responsibility to put your needs first, with the highest standard of care, loyalty and trust. We know you are unique. Only by getting to know you personally and developing a clear picture of your circumstances, objectives, and challenges can we work together to define, manage and protect your financial future.

Whether you are active duty, retired, an honorably discharged veteran, or a surviving spouse, we can work together to make you financially fit.

Call Today—**1-800-522-5221, Option 3**



Financial Planning

Defines the goals you have for your family and the road that will take you there. Do you

have sufficient life insurance? Can you retire when you want? Have you provided for your children's education? At AAFMAA Wealth Management & Trust, the analysis doesn't stop there. We model "what-if" scenarios, helping you anticipate and plan for bumps in the road you haven't even thought about.

Investment Management

The on-going process to understand your financial



goals, determine your optimum portfolio, then monitor and adjust as necessary over time. Whether you seek a comfortable retirement, income generation, a legacy for your heirs or support for your favorite charity, we can create and manage the right investment portfolio for your goals.

Trust Services

Attorneys frequently recommend trusts to provide asset management and distribu-

tion control. Whether you are looking for a current trustee, one to step up in the future, a co-trustee to serve alongside a family member or a professional resource to work with an individual trustee, we will work with you to insure that the plans you make for you and your family are carried out.



From the Chief Operating Officer

AAFMAA Property LLC is wholly owned by AAFMAA and serves as AAFMAA's real estate equity investment arm. It holds properties in subsidiary LLCs which minimizes liabilities of real estate investments. AAFMAA Property helps diversify AAFMAA's investment portfolio while generating an attractive risk adjusted rate of return, which benefits all AAFMAA members. In addition, AAFMAA Property provides and manages the facilities for AAFMAA operations in Reston, Virginia and Fayetteville, North Carolina.

We seek opportunities to enhance AAFMAA's investment portfolio and/or provide facilities that enable the continued expansion and availability of in-person delivery of AAFMAA's unique products and services to military families around the United States.

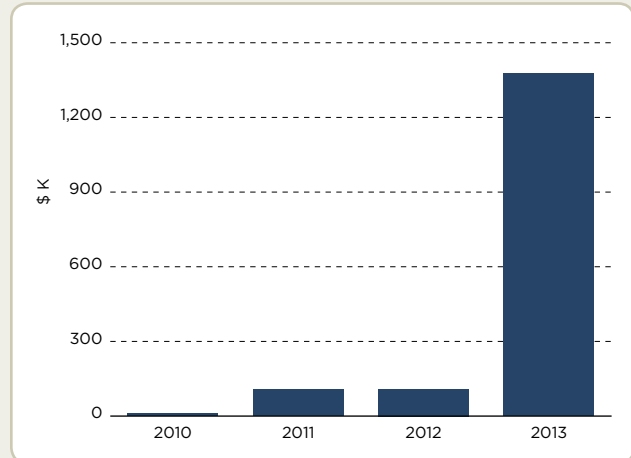
In 2013, AAFMAA Property finished construction on the headquarters of AAFMAA Wealth Management & Trust LLC in Fayetteville, North Carolina, acquired



CHARLES B. BETANCOURT
Chief Operating Officer

a 130,000 square foot office building in Annapolis, Maryland and acquired 14 commercial office condominiums in Palm Desert, California. As of 31 December 2013, 64% of space is leased. We anticipate occupancy to improve as leasing activity succeeds with the recent opportunistic acquisitions of the properties in Annapolis and Palm Desert. As with many leases to military tenants, in a downsizing environment it is possible that the Navy could reduce or eliminate its occupancy at the Annapolis building. Net Operating Income totaled \$3,030,531. After depreciation and amortization (non-cash expenses) of \$1,653,301, Net Income for 2013 was \$1,377,230.

ANNUAL NET INCOME



AAFMAA Wealth Management & Trust Executive Suite in Fayetteville, NC.



AAFMAA Wealth Management & Trust headquarters location. Fayetteville, North Carolina.



University Village Office Park, Palm Desert California. 36,000 square feet of Class A office condominiums.



185 Admiral Cochrane Drive, Annapolis Maryland. 130,000 square feet of Class A office space.



Did you know? AAFMAA Member & Survivor Benefits, the Manor House, was built by Max Wiehle in 1898 and later was the home of A. Smith Bowman, founder of Virginia Gentleman Bourbon.

Who Are We?

SpouseLink.org™, a free website, links military spouses through supportive, informative and inspiring content. Created by AAFMAA, it enables spouses to contribute easily. Share your content. Stay connected to other fabulous MilSpouses and find something new every day, from financial advice to breaking military news and even sassy style tips.



- SpouseLink currently has 6 cross-promotional partners.
- We've appeared as a guest blogger on multiple high-profile military spouse blogs.
- SpouseLink is a regular columnist on Military1.com.
- We've advertised on Facebook and several popular military spouse blogs.

Looking Ahead

We're excited to announce that in May 2014 we'll be holding the 2nd Annual SpouseLink.org Conference. The event will bring together military spouses from around the nation to share their opinions and input about continuously improving and expanding SpouseLink.org within the Armed Forces community.

What Have We Been Up to in 2013?

In the last 6 months alone SpouseLink has been expanding readership by leaps and bounds. The SpouseLink team has been networking online and at events such as the Air Force Association's Spouse and Family Forum. Here's a glance at some of our noteworthy accomplishments from the past year:

- Facebook Likes have quadrupled . . . and then some!
- Twitter following has doubled.
- Website visits have more than doubled.
- 45 SpouseLink authors contribute to the site, including military spouses, AAFMAA employees, veterans and those who are interested in supporting, informing, inspiring and becoming more involved with the military spouse community.

Get Involved and Let Your Voice Be Heard!

Do you have a great personal story you'd love to share? A helpful piece of advice? Any resources you feel would inform, support or inspire military spouses? We want to hear from you!

We're always looking for contributions from anyone who will help us link military spouses together. See what others are sharing at SpouseLink.org.

Be sure to Like us on **Facebook**, Follow us on **Twitter** and **Pinterest**, and add us to your circles on **Google+**.

For more information, or to contribute, contact us at

SpouseLinkEditor@aafmaa.com

Linking Military Spouses Around the World



AAFMAA Mobile

The **AAFMAA mobile App** allows members to:

- View product and services information
- Access personal account and policy information
- View and pay policy premiums using a credit card
- Choose payment options to pay current amount due and additional monthly premiums
- Receive instant payment status confirmation and email notification



Member Center

The AAFMAA Member Center got a face lift this year. If you haven't registered in the **Member Center** already, here's why you should do it NOW:

- **Secure, safe storage** of your important insurance and benefits information
- **Simplified display**
- **Easier Navigation**—just click and you're there
- **Update and edit buttons** get you where you need to go, faster than before
- **Bigger fonts** and **visual icons** for ease of use
- **New Paperless/Online Delivery** options for Annual Statements, Billing Notices, and FIRs—saves thousands of member \$\$\$—Go to the "Account Profile" tab, click on "Delivery Preferences" and choose online delivery NOW
- **'Pay Now'** function streamlined for premium and loan payments
- Explore the new Life Expectancy Calculator

Simply go to connect.aafmaa.com to register or login today.

**FOLLOW US
ONLINE!**





102 Sheridan Avenue
Fort Myer, VA 22211-1110

INSURANCE SALES: 1-877-398-2263 | Monday-Friday, 8:30 am-7:00 pm ET

MAIN OFFICE HOURS: Monday-Friday, 8:30 am-5:30 pm ET

TOLL FREE: 1-800-522-5221 | LOCAL: 703-707-4600 | FAX: 1-888-210-4882

E-MAIL: info@aafmaa.com | WEB SITE: www.aafmaa.com