



AAFMAA

COMPASSION • TRUST • PROTECTION

2014 ANNUAL REPORT



Serving military families since 1879

AAFMAA BOARD OF DIRECTORS

AS OF 31 DECEMBER 2014

EXECUTIVE COMMITTEE



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LTG, USA, Retired
Chairman of the Board



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GEN, USA, Retired
Vice Chairman of the Board
Chairman, Finance
Committee



WILLIAM J. LENNOX, JR.
LTG, USA, Retired
Chairman, Membership
Committee



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

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Gen, USAF, Retired



JOSEPH E. DEFRANCISCO
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JANICE M. HAMBY
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GEORGE L. HORVATH, III
CSM, USA, Retired



LEWIS E. MONROE, III
CMSgt, USAF, Retired



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



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Brig Gen, USAF,
Retired

SENIOR MANAGEMENT

WALTER R. LINCOLN, CFP®
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, CCIM
Chief Operating Officer, AAFMAA Property LLC

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

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

FINANCE COMMITTEE



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COL, USA, Retired



MACK C. HILL
BG, USA, Retired



WILLIAM M. MATZ, JR.
MG, USA, Retired



DENNIS D. PORTER
COL, USA, Retired



JOHN T. RIDGE
CMSgt, USAF, Retired

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



From the Chairman

Dear Fellow Members,

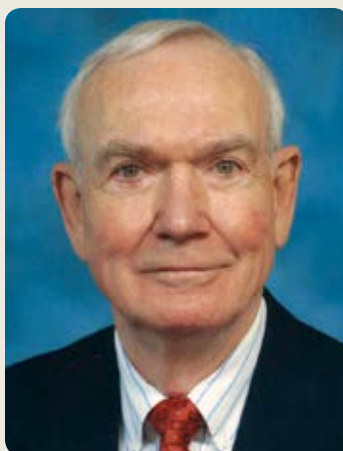
This 135th Annual Report covers AAFMAA's once again outstanding results. Included within those outstanding results are our continued financial strength and investment returns. These results allowed the Board of Directors to approve a 6.5% Crediting Rate for 2015 on all Value-Added Whole Life and **ANNUITY**Life policies.

During 2014, AAFMAA celebrated our 135th year of dedicated service to American service members and families. Our mission remains at the core of all we do:

"To be the premier provider of insurance, financial and survivor services to the American Armed Forces Community."

Our purpose, memorialized in 1879, remains as relevant today as then: "to aid the families of the deceased members in a prompt, simple and substantial manner."

It is my privilege to serve as a Board member and Chairman of the Board. Since August of 1960, when I first joined the Association, I have witnessed tremendous change and focused vision. Products and services continue to evolve and change as time, and our membership, demands. One thing remains the same though. Our dedication to members' survivors has never wavered, not once. I hear stories, time and again, of AAFMAA's tremendous assistance at the most difficult of times.



6.5%
**Crediting
Rate**

39%
**Military
Related
Employees**

Widows, widowers, siblings, children and grandchildren tell us how our Survivor Benefits team has treated them with compassion, expertise and efficiency. I share this one example from the daughter of a deceased member.

"Your company, and the employees I dealt with, were absolutely wonderful to work with, and FAR EXCEEDED your two competitors. Your competitors were cold, non-responsive and gave the impression they felt WE should be accommodating to THEM . . . Your staff, on the other hand, was a pleasure to deal with. The kindness shown by them was greatly appreciated, especially in a time when everything else was so emotional and in turmoil. They were helpful, responsive, pleasant to speak with, and showed an all-around compassion for our situation."

— Kathy L., Daughter of an AAFMAA Member

You have a great team working on your behalf. Of our employees, 39% have served, are serving in the reserves or guard, or are married to a service member. We understand the military community. It is my pleasure to offer this report demonstrating the growth and continued strength, as well as expertise and compassion, that AAFMAA provides for military families across the globe.

Respectfully,

A handwritten signature in dark ink that reads "Donald M. Babers".

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

From the President and Treasurer

Dear Fellow Members,

In January 2014, AAFMAA turned 135 years old. During all those years, your Association has weathered two World Wars, numerous regional wars, the Depression, stock market crashes, inflation, deflation, military expansion and downsizing. Throughout all this turbulence, AAFMAA has remained financially solid.

AAFMAA members serve on the Board; AAFMAA members serve as Association officers. Overseen by members, led by members . . . serving members. As a MUTUAL AID association, we're all in it together. No stockholders, no debt to anyone, no stock options, no corporate jets. Members for members for 135 years. Unlike some other good organizations where membership can be passed down from generation to generation, at AAFMAA, members must actually have served . . . in the Army, Marine Corps, Navy, Air Force or Coast Guard. As LTG Babers pointed out, 39% of your AAFMAA staff is military related. They've experienced what every member experiences, so they know how to deliver truly superlative personal service. With AAFMAA, you can relax and breathe easy knowing that we will always provide excellent products and services for your lifetime and continuing to your survivors.



way or another, all net benefits are returned directly to members or their survivors. For 2014, benefits returned included:

• Death Benefits	\$ 53.6M
• Cash Value Increases	\$ 22.9M
• Term Refunds	\$ 0.8M
• Member Services	\$ 2.5M
	<u>\$ 79.8M</u>

Compared to 2013, these returns increased by 8.2%.

YIELDS. AAFMAA's long term, disciplined investment strategy has proven a success over many years. By looking long term, we've been able to hold assets to realize long term values. We also hold assets that pay interest or dividends. To measure the yield generated by these investments, AAFMAA complies with the National Association of Insurance Commissioners procedures to calculate the Net Yield on Assets (NYA). While a simplified comparison, NYA is similar to an interest rate earned on investments. For 2014, AAFMAA achieved a 4.5% NYA. In today's low interest rate environment, hopefully all members can applaud this result. The NYA does not include capital gains. Again, in a simplified explanation, if you add capital gains to the NYA you get the Total Return. For 2014, our Total Return reached 8.5%. While these results were great, it's also useful to look at Total Return over a longer time frame. Since 1996, our Total Return has averaged an annual 7.0%. This compares favorably with the average annual inflation rate of 2.2% over the same period.

CREDITING RATE. The Crediting Rate determines the amount of interest added to the cash values of Value-Added Whole Life and **ANNUITY** Life policies. From the Direct Member Returns, please note that \$22.9 million was added to members' cash value accounts. The growth of cash value in these permanent insurance policies also allows for potential future death benefit growth on those policies.

ASSETS. Our two most important assets remain the trust of our members and our truly dedicated staff. In addition, financial assets exceed \$1.15 billion, on an "admitted asset value" basis. Many of our U.S. government and corporate bonds have market values higher than cost. Therefore, on a "market value" basis, total assets exceed \$1.22 billion. Total Admitted Assets grew by \$53.5 million or 4.8%; Total Market Value Assets grew by \$83.8 million. AAFMAA's Capital and Surplus now stands at a record \$163.1 million.

MEMBER RETURNS. As a pure non-profit, member-owned mutual aid association, in one

Total
Assets

4.8%

Direct
Member
Returns

8.2%

Net Yield
on Assets

4.5%

Total
Return

8.5%

The Crediting Rate is not guaranteed and is reviewed at least annually for adjustment. Part of that review considers the overall interest rate environment. The Federal Reserve continues to implement its policy of Financial Repression. Interest rates are being held artificially low. This policy inevitably rewards debtors and punishes savers, resulting in huge transfers of wealth. No one can predict the future; we can only respond to the environment we face. The Fed's Financial Repression may continue for some time longer, in which case the interest rate we can earn on bonds will continue to drift lower. Over an extended period, lower interest rates will inevitably force gradually lower Crediting Rates.

Since 2009 we successfully adjusted our asset allocations to mitigate the effects of Financial Repression. We've now structured the portfolio to insulate AAFMAA when the Fed allows interest rates to resume a "normal" range set by market forces.

SALES. In addition to the outstanding investment returns, AAFMAA's life insurance had solid growth. Results include:

- Insurance sold \$2.1 billion
- Insurance in force \$25.6 billion (record high)
- New policies issued 7,307
- Policies in force 124,813 (record high)
- Total Lives Insured 102,906 (record high)
- New Members 4,034
- Total Membership 90,069

Economically, the number of policies in force, which grew to 124,813, is one of the key factors contributing to AAFMAA's strength. While the number of AAFMAA members decreased slightly, the total number of lives insured, which includes members, spouses, children, and grandchildren, grew to an all time high. Still, we continue to actively seek new members. We want membership growth. Expanding membership eligibility to all services of the Armed Forces diversifies our risks and supports more of the American Armed Forces.

CHALLENGES. AAFMAA always faces challenges. The challenges differ from year to year but never go away. We have successfully met, and always will meet, every challenge every year. We now face two challenges: (1) Financial Repression and its aftermath, and (2) shrinking military forces.

We're prepared for the unwinding of Financial Repression. The restructured portfolio will ameliorate some of the likely impacts, and possibly allow us to gain from coming shifts in interest rates and asset values.

However, the downsizing of the military pushes service members out of the forces, often with relocations. Many service families are hit with a double whammy; the newly unemployed service member returns to a sluggish civilian economy and, because of the relocation, a working spouse also faces unemployment until re-employed at the new location. Many service members face the economic priorities of food, school, and clothing vs. maintaining AAFMAA membership. We are addressing this challenge internally . . . but we also need your help. Word of mouth remains our best method for getting new members. Spreading the word to your friends, colleagues and their families, helps AAFMAA membership grow. We could double in size if every member got a new member. Do your part; it's your Association.

Please review the next several pages to read comments from the leaders in each area of AAFMAA:

- Mike Meese, COO and Secretary of AAFMAA, provides updates and commentary on the life insurance business and the Association in general.
- Jim Malley, Executive Vice President and COO of AAFMAA Member & Survivor Benefits LLC, offers updated information on our unique services. He also explains new stand-alone options for member and survivor services.
- Rick Convy, President of AAFMAA Wealth Management & Trust LLC, updates on their growing business. The Office in Winter Park, Florida opened to serve our many Florida members, veterans and their families.
- Charlie Betancourt, COO of AAFMAA Property LLC, reviews our real estate investments and occupancy rates.
- Winnifred Tse, Marketing Coordinator of AAFMAA and SpouseLink.org Project Manager, updates on SpouseLink's accomplishments.

As I reflect on the closing of our 135th year of dedicated service, I thank the AAFMAA staff, Board of Directors, and loyal members and their families for making it all worthwhile. Without a great team, none of the results we achieved would have been possible. I look forward to another great year in 2015 and beyond. Thank you, and your families, for your continued trust and support.

Sincerely,



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

AAFMAA 2014 Overview

COMPARATIVE HIGHLIGHTS

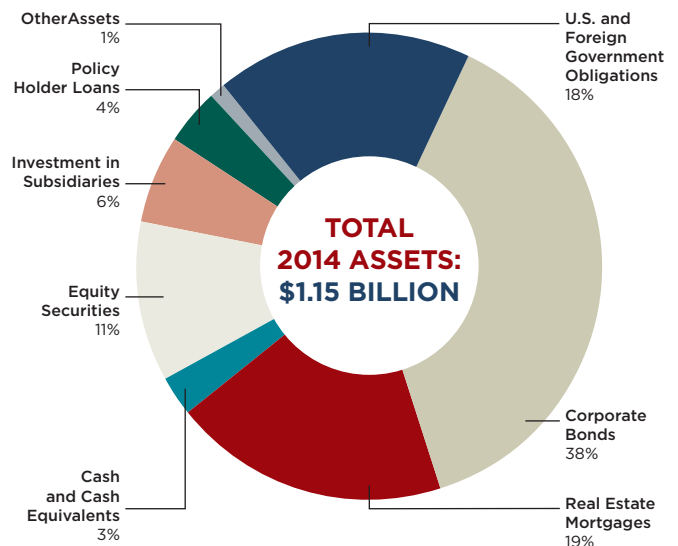
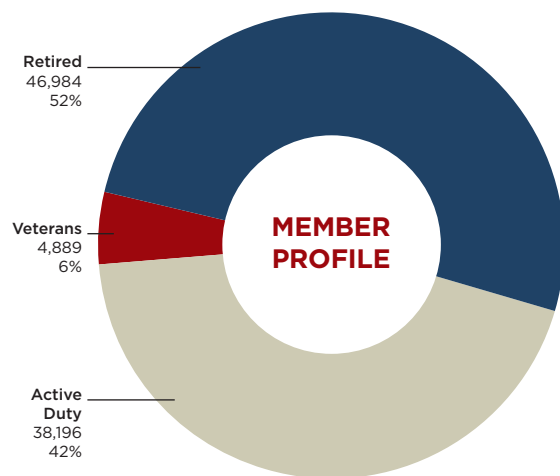
	2014	2013
Insurance in force (\$ millions)	\$25,591	\$25,399
Total reserves (\$ millions)	\$1,085	\$1,046
Number of members	90,069	90,532
Number of member deaths	917	961
Death benefits paid (\$ millions)	\$53.6	\$53.0
Net Yield on Assets	4.5%	4.6%

WHO CAN BE A MEMBER? All ranks of Army, Marine Corps, Navy, Air Force, and Coast Guard 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

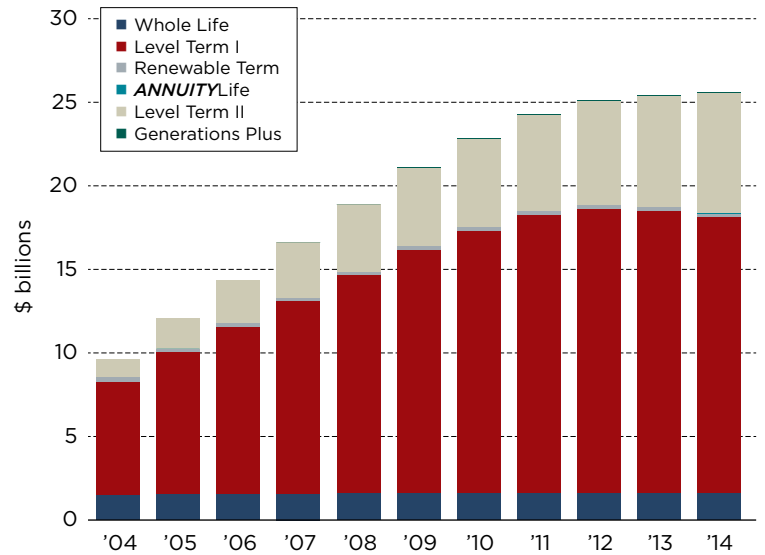
INVESTMENTS	ADMITTED ASSET VALUE	MARKET VALUE
U.S. and Foreign Government Obligations	\$ 197,264,271	\$ 213,440,969
Corporate Bonds	436,517,828	491,654,856
Real Estate Mortgages	218,335,154	218,335,154
Cash and Cash Equivalents	39,491,521	39,491,550
Equity Securities*	132,451,867	132,451,867
Investment in Subsidiaries	70,733,014	70,733,014
Accrued Investment Income	10,180,006	10,180,006
TOTAL INVESTMENTS	\$ 1,104,973,661	\$ 1,176,287,416
Policy Holder Loans	48,219,952	48,219,952
Property & Equipment Net of Accumulated Depreciation	338,436	338,436
Other Assets	977,964	977,964
TOTAL ASSETS	\$ 1,154,510,013	\$ 1,225,823,768

*Valued at market



INSURANCE IN FORCE

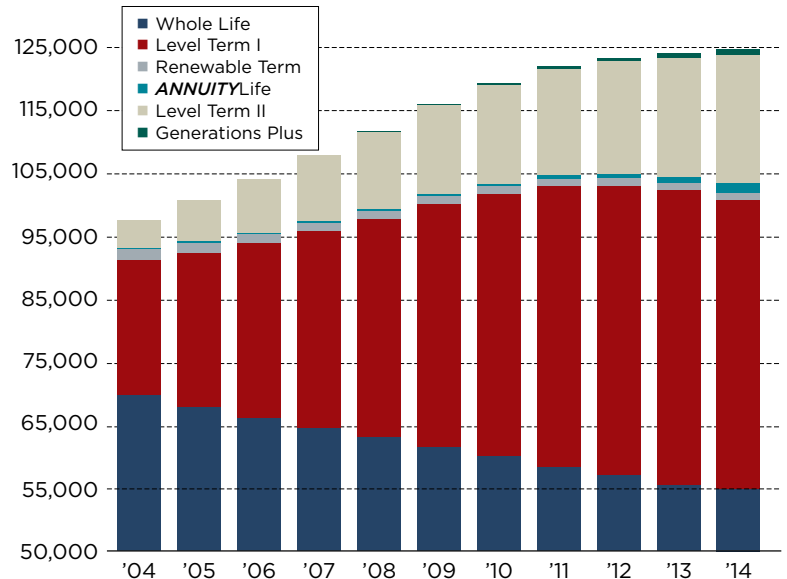
Insurance in Force, beginning of year . . .	\$25,399,377,598
Insurance sold	\$2,056,628,610
Death benefit growth	\$13,097,477
Death benefits incurred	(\$53,551,759)
Other terminations	(\$1,824,417,676)
INSURANCE IN FORCE, end of year . . .	\$25,591,134,250



POLICIES IN FORCE

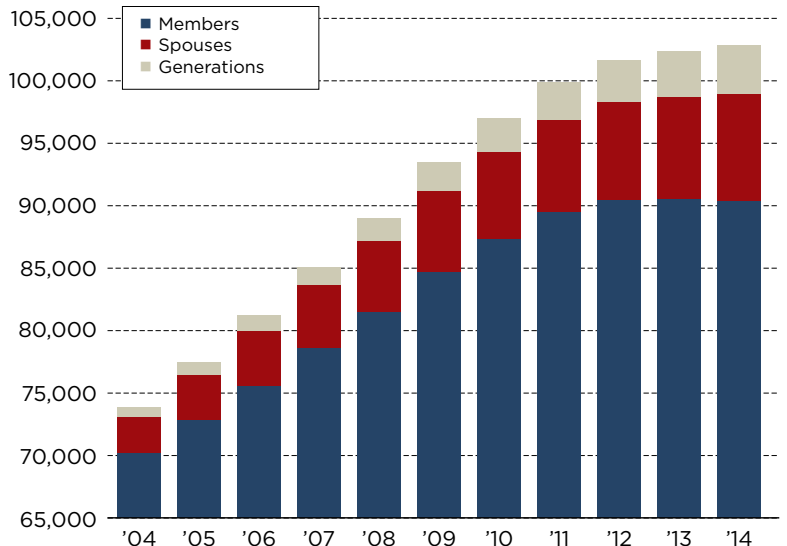
Policies in force, beginning of year	124,145
New policies issued	7,307
Policies ended by death	(1,454)
Other net policy terminations	(5,185)
POLICIES IN FORCE, end of year	124,813

Note: Beginning balance includes 160 Service Only (SO) policies and ending balance includes 151 SO policies.



LIVES INSURED

Members, beginning of year	90,532
Gains	4,034
Losses	(4,497)
Members, end of year	90,069
Spouses, Generations, beginning of year	11,850
Gains	1,287
Losses	(300)
Spouses, Generations, end of year	12,837
LIVES INSURED, end of year	102,906



Statement of Admitted Assets, Liabilities and Reserves

STATUTORY BASIS • FOR THE YEAR ENDED DECEMBER 31, 2014

ADMITTED ASSETS

Fixed Income Securities	\$ 633,782,099	
Real Estate Mortgages	218,335,154	
Cash and Cash Equivalents	39,491,521	
Equity Securities	132,451,867	
Investment in Subsidiaries	70,733,014	
Accrued Investment Income	<u>10,180,006</u>	
Total Investments		\$ 1,104,973,661
Policy Holder Loans		48,219,952
Property and Equipment, Net of Accumulated Depreciation		338,436
Other Assets		<u>977,964</u>
Total Admitted Assets		<u>\$ 1,154,510,013</u>

LIABILITIES AND RESERVES

Liabilities

Death Benefits Payable	\$ 22,059,808	
Accounts Payable	19,828,398	
Deferred Revenue	2,102,220	
Settlement Options Payable	25,794,354	
Accrued Post-Retirement Benefits	14,797	
Related Party Payable, net	<u>158,075</u>	
Total Liabilities		\$ 69,957,652

Reserves

Insurance and Other	\$ 857,856,863	
War Risk	21,670,758	
Interest Maintenance	41,903,048	
Contingency Reserve		
Asset Valuation	\$ 34,855,231	
General Contingency	<u>128,266,461</u>	
Total Contingency Reserve	<u>163,121,692</u>	
Total Reserves		<u>1,084,552,361</u>

Total Liabilities and Reserves		<u>\$ 1,154,510,013</u>
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For a copy of the full, audited Financial Statements, please email: "finance@aafmaa.com".



Summary Statement of Income

STATUTORY BASIS • FOR THE YEAR ENDED DECEMBER 31, 2014

INCOME

Premiums, dues, supplemental contracts.	\$ 56,813,301	
Net Investment Income.	43,652,458	
Amortization of Interest Maintenance Reserve.	<u>5,987,460</u>	\$ 106,453,219

BENEFITS AND EXPENSES

Death Benefit Claims	\$ 53,551,759	
Less war claims	(400,000)	
Less actuarial adjustment.	<u>(2,496,921)</u>	
Net Death Benefit Claims	\$ 50,654,838	
Surrender Benefits and Supplemental Contract Payments	7,360,235	
Service Benefits	2,468,058	
Premium Refunds, Term Insurance	764,986	
Increase in Insurance Expense (Reserves)	29,628,130	
General Administrative and Operating Expenses	<u>11,468,598</u>	(102,344,845)
Excess Interest Credited to Policies		(7,990,192)
Net Realized Gain on Investments.		<u>4,633,661</u>
NET INCOME.		\$ 751,843

Summary Statement of Cash Flows

STATUTORY BASIS • FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Cash collected for Premiums, Services and Investment activities.	\$ 119,003,016	
Cash used for Vendors, Suppliers and Personnel related costs	(11,229,780)	
Cash used to pay Member Benefits and Services.	<u>(58,086,061)</u>	
Net Cash Provided by Operating Activities	\$ 49,687,175	
Net Cash Used in Investing Activities		<u>(41,813,270)</u>
Increase in Cash and Cash Equivalents		7,873,905

CASH AND CASH EQUIVALENTS

Beginning of Year.	\$ 31,617,616	
End of Year.	<u>\$ 39,491,521</u>	

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

From the Chief Operating Officer and Secretary

While celebrating our 135th year, AAFMAA renewed its commitment established in 1879, “to aid the families of the deceased members in a prompt, simple and substantial manner.” As the oldest not-for-profit association exclusively serving the American military community, we demonstrate the continued strength of that commitment in the service and benefits we provide to our members and their families every day. Since September 11, 2001, the benefits AAFMAA has paid to survivors of current and former American Armed Forces service members exceeds \$500 million dollars.

In 2014, several developments affected life insurance — making AAFMAA policies even more valuable:

- Active duty servicemembers saw monthly rates for \$400,000 of SGLI coverage increase to \$28. Simultaneously, AAFMAA lowered its Level Term I rates to \$18.15 for \$400,000 of coverage. This means that AAFMAA saves service members **34%** in premiums for the same amount of insurance, while providing value-added benefits like survivor assistance services and insurance that continues, even after the military.
- Problems with several Long Term Care insurance providers made headlines in 2014. AAFMAA does not offer Long Term Care insurance. Instead every AAFMAA Value-Added Whole Life and **ANNUITY**Life policy comes with a Long Term Care Settlement Option (LTCISO). While studies show that many Long Term Care insurance policies never pay out, AAFMAA's whole life policies definitely will — either to your beneficiaries at your death or to cover your Long Term Care expenses while you are alive.

AAFMAA offers a great variety of products to ensure that we can provide every member with the best protection through each stage of life. No matter what kind of life insurance need you have, in nearly all cases AAFMAA has a solution that is better than the competition:

- While on active duty, in the Reserves or National Guard, Level Term I provides the most coverage for the lowest price through age 50 (age 40 for nicotine users).



MICHAEL J. MEESE, PH.D.
BG, USA, Retired

- At the time of separation or retirement, term insurance is still needed. We make the transition simple with Level Term II and 5-year Renewable Term, which works like VGLI but is far less expensive.
- Older veterans looking for term insurance coverage can get up to \$100,000 in an EZ Term policy, with a simple, quick application process and no physical exam or medical tests.
- Parents and grandparents can get excellent permanent coverage for their children and grandchildren with a Generations Plus policy that locks in affordable AAFMAA coverage for life.

- Everyone should also have some permanent protection for themselves with Value-Added Whole Life, which protects survivors by covering expenses at the time of death.
- Beyond final expenses, **ANNUITY**Life can help anyone with capital that they want to pass on to their survivors, protect and grow those funds at a generous crediting rate, while retaining the option to cash in or annuitize the policy cash value at any time.

If you ever have questions about promotions from other life insurance companies, call AAFMAA first. We can walk you through what they offer, discuss the insurance you have, and if you are considering more insurance, chances are very good that AAFMAA has a better solution. Our Membership Coordinators do not receive commissions and will honestly assess your options so you can make the best, well-informed decision for your particular situation.

Everyone at AAFMAA works with one goal — to help take better care of the American Armed Forces. It's a pleasure to be part of such an exceptional team. Working for you and your family is an honor and we greatly appreciate the opportunity to serve you with **COMPASSION, TRUST** and **PROTECTION**.

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
- 6.5% Crediting Rate for 2015 (subject to change, higher or lower for future years; 3.5% minimum guarantee)
- Single Premium Payment (minimum \$7,690)
- Coverages from \$10,000 to \$1,000,000
- Includes Long Term Care Settlement Option

After 0.75% cost for insurance and expenses, the net benefit is 5.75% — amazing in today's low interest rate environment! And, you can annuitize the policy



Get 6.5% Crediting Rate today!

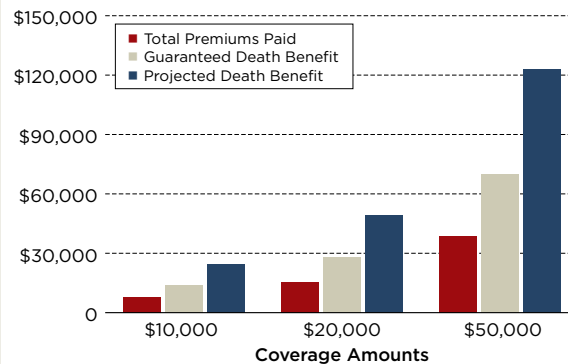
1-877-398-2263

cash value 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.

ANNUITYLife 20 YEAR VALUE PROJECTION

Issued at age 65, Single Payment, projected crediting rate of 6.5%, 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
- 6.5% Crediting Rate for 2015 (subject to change, higher or lower for future years; 3.5% 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

¹For all insurance products, various restrictions apply depending upon policy. Subject to complete terms and conditions of each policy.

EZ Term

Our newest life insurance product, EZ Term, provides affordable, term coverage with a simple, quick application. EZ Term is for members and spouses age 45-74 who want affordable, renewable life insurance protection with limited medical requirements, through age 80.



Save over AARP today!
1-877-398-2263

EZ Term rates below: (rates increase each time you enter a new 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.

EZ TERM COVERAGE AMOUNT²

Issue Age	\$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

²Monthly premiums shown. Rates as of 3/1/2015.

Level Term I

Level Term I life insurance; like life insurance coverage from SGLI — but cheaper! \$400K of SGLI coverage is \$28/month; \$400K of Level Term I — only \$18.15. **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 (We ensure your family gets all the military, veteran's, Social Security and other benefits to which they are entitled)

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

- For members, spouses, vets, children and grandchildren

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 with no medical exam
- Convert to Value-Added Whole Life insurance at any time with no medical exam

Apply Online — www.aafmaa.com

Level Term II

Insurance designed to continue coverage for members and spouses ages 35 to 75, usually at the time when Level Term I 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 commercial 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

VGLI, Starting at Age 45	Level Term II Starting at Age 45 ³	Savings with AAFMAA
\$55,920 ⁴	\$9,552 ⁴	\$46,368⁴

MONTHLY PREMIUMS COVERAGE AMOUNTS — 10 YEAR POLICY RATES³

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

³Best rate class, monthly premiums shown. Rates may be higher depending on age, health, and lifestyle. Subject to complete terms and conditions. Rates as of 3/1/2015.

⁴Cumulative monthly premiums.

Generations Plus

Generations Plus, a whole life policy, insures a child or grandchild (15 days through 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

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.

Call toll-free today!
1-877-398-2263

EXAMPLE COVERAGE

COVERAGE AT 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

I am delighted to report another excellent year of service to our members and families. We continue to be the finest provider of military benefits assistance and consultation to the military community. Member and Survivor Benefits representatives are experts in government, military, and veteran benefits.

The following 2014 highlights are only a few reasons why our members choose AAFMAA:

- Announced **Stand-alone** Premier Services and Survivor Assistance Services, allowing AAFMAA to provide the same high quality service without AAFMAA life insurance.

"I will never forget — you handled all this confusing business so beautifully and so professionally, but in such a kind and caring manner. You were always so reassuring . . . We all appreciate what you do."

Nelda S., AAFMAA Widow

- Submitted 504 fully developed VA claims that resulted in almost **\$450,000** in retroactive benefits and significant future VA compensation to our members.
- Introduced the VA Claims Assistance Request Form to assist members and streamline collection of critical information needed for a successful VA claim.



JAMES M. MALLEY, CPA

- Supported and guided the families of 917 AAFMAA members who died in 2014, with military entitlements and benefits assistance.
- Provided access to the Family Information Report (FIR) online, giving members and survivors flexibility and the ability to view and adjust their information anytime on the AAFMAA Member Center.

- Continued **LIFETIME** survivor assistance for nearly 14,500 widows(ers).
- Hosted the Disabled American Veterans Mobile Service Office at our Reston campus, serving local veterans in our community with free claims and benefits assistance.

AAFMAA Member & Survivor Benefits LLC's Net Income for 2014 was \$212,502. Our share of AAFMAA overhead costs was \$652,979. Total benefit to AAFMAA members and their survivors in 2014 - \$865,481.

"My husband James is a retired Colonel who served in Vietnam. He has been suffering from Parkinson's disease . . . a presumptive disease associated with Agent Orange. Jodee Neumann of AAFMAA offered to assist us . . . We cannot praise Ms. Neumann's performance enough! She not only guided us through the morass but took the initiative on several occasions to keep us informed . . ."

Judith M., AAFMAA Member Spouse

Member and Survivor Benefits Offered As Stand-Alone Service

Since 1879 our Member and Survivor Benefits have been the *hallmark* of AAFMAA membership. Making these services available to all veterans ensures we're doing everything we can to help those who bravely served our country.

PREMIER SERVICES — MAXIMIZE YOUR VA BENEFITS

CALL DIRECT: (800) 981-2849

Submitting a VA claim can be confusing and sometimes frustrating. We're here to help Grandfathered and Premier Services members through VA Benefit Coordination. If you are not currently a Grandfathered or Premier Services member, call us to enroll — (800) 981-2849. We will help you just as we have helped so many others. We are your advocates and personally attend to your unique affairs regarding military benefits and entitlements.



SURVIVOR ASSISTANCE SERVICES — AVAILABLE TO ANY VETERAN

CALL DIRECT: (800) 991-0268

Knowing that your loved-ones will be well cared for after you are gone is the most reassuring service AAFMAA can provide. Now any veteran can purchase this service prior to death, even without an AAFMAA life insurance policy. Our expert team will help your survivor navigate the oftentimes confusing government bureaucracy and maximize the benefits you earned. You will not regret it, and your surviving spouse will be grateful you have provided them this important service.

From helping you maximize your VA benefits while you are living, to assisting your spouse with government benefits after your death, **AAFMAA Member & Survivor Benefits** is your expert in military and veteran affairs. If you are already a member, we can be your best counselor and advocate when we know you well.

Here is some great advice for keeping your affairs in order:

- Update your member profile through the AAFMAA Member Center at **connect.aafmaa.com**. All too often we don't have current and complete information on the military member. This causes delays and potentially minimizes the possible benefits for the surviving family. Please make sure we have your complete and current information.
- Ensure your Beneficiary Designations are current on AAFMAA and any other life insurance policies.
- Ensure loved-ones know where to locate your important records, or consider storing them in our Digital Vault. The AAFMAA Digital Vault is another benefit that AAFMAA Grandfathered and Premier Services members enjoy. To enroll in Premier Services call (800) 981-2849.
- Tell your loved ones to make AAFMAA the **FIRST** call when the time comes or go to **www.aafmaa.com** and report the death online. We will compassionately coordinate all of the military benefits to which they are entitled for the rest of their lives.

From the President

AAFMAA Wealth Management & Trust LLC (AWM&T) provides military families wealth management solutions they need with superlative member service they can trust. In 2014, we prepared comprehensive financial plans, managed investment assets, and provided expert trust administration for 300% more member accounts than in 2013. These new AWM&T clients joined our growing community for a variety of reasons:

- Work and family commitments crowded out time to effectively plan and manage family finances.
- Current market conditions caused members to feel anxious about having full responsibility for the outcomes of their investment decisions.
- Members with complex financial situations needed a financial quarterback to consolidate, organize, and simplify finances that had become unmanageable.
- Members who had managed their own investments decided to shift that responsibility to someone they trusted, prudently preparing for a future when they wouldn't have the capacity to continue managing their own finances.

AWM&T employees are salaried professionals who do not receive any compensation based upon the investment products used. As a chartered trust company our fiduciary responsibility puts your needs first, with the highest standard of care,



RICHARD J. CONVY, CPA, CFA

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.

How often do you talk to a financial professional to make sure your money is performing as expected? Are your investments running on autopilot? Is someone actively monitoring your accounts

to ensure they produce results? Do you know for sure? Do you know how much you are paying them? It can be difficult to figure out. Just reviewing your statements each quarter doesn't always tell the whole story.

Fortunately, you don't have to figure it out by yourself. Whether you work with a financial professional you trust or you invest on your own, whether you just started saving or are retired, AWM&T can help you get a clearer picture of your financial situation. With a little information from you, we will create an analysis of your progress toward your goals and make recommendations to help you along your financial path.

Contact us today to schedule a complimentary financial check-up — a free second opinion on your financial situation. Meet us in person at our offices in Reston, VA, Fayetteville, NC, or Winter Park, FL, or we can conduct a virtual meeting. We look forward to providing you with our superlative personal service and helping you achieve your financial goals.

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 AWM&T, 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 of understanding your financial goals, determining your optimum portfolio, investing, and then monitoring and adjusting 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 distribution 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 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 (AP), AAFMAA's real estate equity investment arm, is a wholly owned subsidiary. Properties are held in subsidiary LLCs which minimize liabilities of real estate investments. AP adds to the diversification of AAFMAA's investment portfolio and generates an attractive risk adjusted rate of return, benefiting all AAFMAA members. Additionally, AP provides and manages the facilities for AAFMAA operations in Reston, Virginia and Fayetteville, North Carolina.

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

Significant events for AP in 2014 included:

- Acquisition of two, 21,000 square foot office buildings in Palm Desert, California
- Acquisition of four additional condominium units in Fayetteville, North Carolina



CHARLES B. BETANCOURT, CCIM

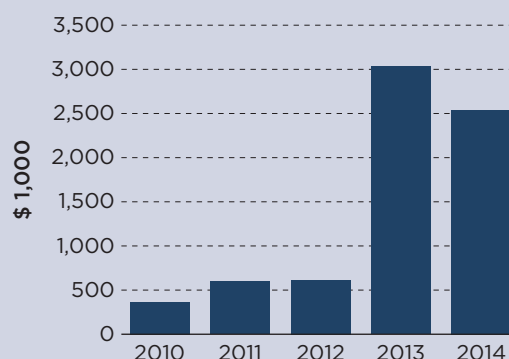
- Non-renewal of the US Navy lease in AP's property in Annapolis, Maryland

As of 31 December 2014, 65% of space was leased. FFO (Funds from Operations) for 2014 totaled \$2,538,105. FFO, a standard measure for real estate entities, measures performance based on net income, excluding gains (or losses) from sales of property, plus depreciation and amortization expenses. Depreciation and amortization expenses are

non-cash accounting conventions. For a tax-exempt entity, such as AAFMAA, these expenses are not relevant to measure the success of AP's real estate investments. As illustrated in the chart below, FFO was substantially reduced in 2014 by the non-renewal of the US Navy lease in Annapolis, Maryland. As mentioned elsewhere in this report, AP is not immune to the effects of service downsizing. In response, AP successfully released much

of the vacated US Navy space and will realize the benefit of that effort in the latter half of 2015. AP anticipates occupancy and revenue to continue improving throughout 2015 as we continue to lease-up remaining vacant space.

FUNDS FROM OPERATIONS (FFO)



38-686 El Cerrito Road
Palm Desert, California



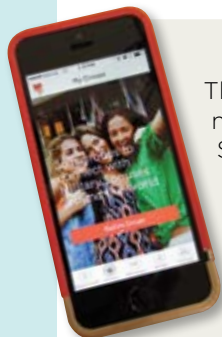
77-933 Las Montanas Road
Palm Desert, California



185 Admiral Cochrane Drive
Annapolis, Maryland

Meet SpouseLink.org

SpouseLink.org™ is a free website linking a new generation of Military Spouses together through supportive, informative and inspiring content. We were created by AAFMAA to allow spouses to easily contribute content to the site, stay connected to other fabulous MilSpouses and to find something new every day, from financial advice to breaking military news and even personal stories.



We Built an App!

The SpouseLink App is a free social networking application for Military Spouses and their families to create an online Military Spouse community, provided by a brand that really gets their lifestyle!

The app allows users to ask questions and share experiences to help other spouses navigate military life. It is now available for download in the iTunes App Store.

Looking Ahead

In May 2015 we'll be holding the 3rd Annual SpouseLink.org retreat for our brand new SpouseLink Military Spouse Ambassadors. The event will bring together all of our fantastic Military Spouse Ambassadors from around the nation to develop new and innovative ways we can continue improving and expanding SpouseLink.org within the Military community.

What Have We Been Up to in 2014?

Here's a glance at some of our noteworthy accomplishments from the past year:

- We reached over 8,500 likes on Facebook
- We now have 72 SpouseLink authors contributing to the site including:
Military Spouses, AAFMAA employees, Veterans and those interested in supporting, informing, inspiring and becoming more involved with the Military Spouse community.
- Our new Authors' Corner is up and running! Be sure to explore the space dedicated to highlighting our amazing array of contributors.
- SpouseLink has 8 cross-promotional partners with whom we've worked closely in the past year.
- SpouseLink is a regular columnist on Military1.com.

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 can help link Military Spouses together. For more information, or to contribute, contact us at SpouseLinkEditor@aafmaa.com or see what others are sharing at SpouseLink.org.



SpouseLink Team sponsored the USO Operation Belvoir Babies event at Fort Belvoir, Virginia.



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

"When I was on active duty, assigned as a Survival Assistance Officer, I saw just how important not only having insurance but having important documents stored in a safe and available place was. These experiences reinforced my decision to join AAFMAA as one of the first things I did after receiving my Warrant. I encourage everyone eligible to join; the peace of mind alone is worth the minimal cost of membership."

Russel G, AAFMAA Member

"Thank you from the bottom of my heart for the assistance you gave me right after my husband passed away. I would never have known who to call or where to turn for help. You took care of everything from the minute I reached you on the phone . . . Your kind and courteous assistance made a very difficult period a lot easier."

Joy H, AAFMAA Widow

"In this day and age when "trust" seems to be lacking, it is nice to know that AAFMAA is available and can be relied upon to give the assistance necessary."

William A, AAFMAA Member

"Thanks for havin' my back in service to my country and financial peace of mind for my family."

Frank B, AAFMAA Member

"I cannot begin to tell you how much your help meant to me in those early weeks and months when I didn't know what to do or where to turn. You were always so patient and reassuring and took care of things in such a timely manner and I know that your help made a huge difference for me during that time . . . I am especially grateful for your advice and help in obtaining the documentation for the VA so that my monthly allotment was processed without difficulty . . . I will always be grateful for you and for the work of AAFMAA."

Arlene F, AAFMAA Widow

"Best advice I received as a 2d Lt from my first Battalion Commander was to join AAFMAA . . . that was 50 years ago! That advice still holds true today."

Werner S, Jr, AAFMAA Member

**We Love
to Hear
What Our
Members Say!**

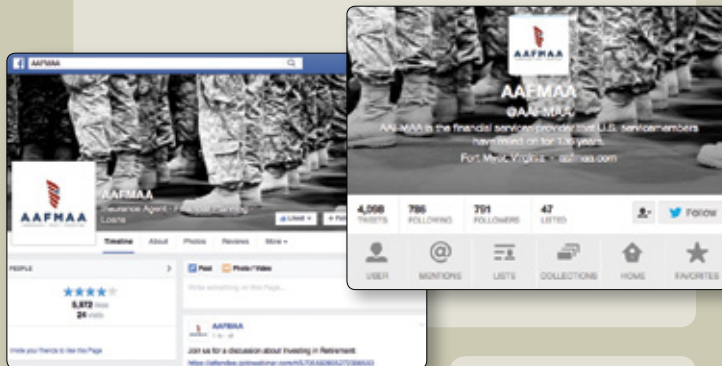
AAFMAA ONLINE AND ON THE GO



AAFMAA Mobile

The **AAFMAA mobile App**:

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



**FOLLOW US
ONLINE!**



Member Center

The Member Center — a place for you. 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
- Simple display
- Easy Navigation — just click and you're there
- Update and edit buttons get you where you need to go, faster than ever
- Easy to read fonts and visual icons
- 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.



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OFFICE HOURS AT ALL LOCATIONS: Monday-Friday, 8:30 a.m.-5:30 p.m. ET
TOLL FREE: 1-800-522-5221 | FAX: 1-888-210-4882

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