



**AAFMAA**

# advantage

An Army and Air Force Mutual Aid Association Newsletter • May 2010

## Tell Your Friends — Everyone Wins



Member referrals help AAFMAA sustain its strong growth, unsurpassed values in life insurance and time proven services and benefits. These industry leading attributes would not be possible without your ACTIVE participation. The trust of AAFMAA members is one of the Association's most important assets. Word of mouth is the most cost efficient advertising. You make AAFMAA what it is. Sometimes we get asked, "What's in it for me?" The answer is obvious — low-cost life insurance, great crediting rates, and unsurpassed services. The articles throughout this newsletter outline the value you provide. Thank you for participating in the continued growth and success of AAFMAA.

*The trust of AAFMAA members is one of the Association's most important assets.*

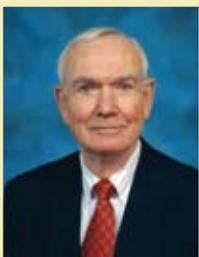
### Why It Is Important for Members to Refer Others

In the big world of life insurance AAFMAA is not well known. You probably knew this when you first joined. Many new members ask, "Why haven't I heard of you before now?" We are one of the best kept secrets in the insurance industry. Here's why. We serve a very targeted and specialized military market — the Army and Air Force community. As you may know

from looking back at our history, back to Custer's Last Stand, AAFMAA was initially formed to aid the families of the deceased soldiers in a prompt, simple and substantial manner. From that simple need, AAFMAA evolved into the low-cost life insurance provider for military service members and their families with very affordable

*continued on page 3*

Inside:	<b>2 Message to Members</b> From LTG(R) Donald M. Babers	<b>4 AAFMAA Financial Advisors</b> New office opens in July	<b>6 Term Refunds Coming Using a Billpayer Service?</b>
	<b>3 Why Did You Choose AAFMAA?</b>	<b>Our Newly Designed Website is Live</b>	<b>7 Cash Value Loan</b> Important details to consider
	<b>5 How to Suggest AAFMAA</b>	<b>8 Money Back Guarantee!</b>	



## Message to Members

**Donald M. Babers,**  
**Lieutenant General, USA, Retired**  
**Chairman of the Board**

Key to any thriving and growing association is innovation, cost control and expansion. At AAFMAA, we constantly challenge the status quo and seek new ways to create efficiencies through automation. More efficient ways to service our members' needs allow us to expand offerings for members and their families. Within the last few years AAFMAA has undertaken a major migration of the insurance administration system from a main-frame to a UNIX based platform. These efficiencies in processing have significantly reduced associated costs while allowing us to access multiple support resources. We've expanded our digital document capabilities, and offered additional means for our members to communicate with us such as fax, email, the Member Center and, most recently, the ability to submit

*“Our focus remains on the membership’s needs and what is relevant to you today and going forward.”*

online applications with electronic signatures. Throughout all this innovation and advancement, we have always remained focused on our core functions; to provide:

- low-cost life insurance, and
- superior services to our members and their surviving families.

In July 2010, AAFMAA will take another step in the expansion plan by reintegrating the core services function through our wholly-owned subsidiary, AAFMAA Financial Advisors LLC. AAFMAA Financial Advisors will provide Survivor Assistance Services, Living Services and, eventually,

expanded offerings to all AAFMAA members. Our focus remains on the membership's needs and what is relevant to you today and going forward. We have assembled a great team at AAFMAA Financial Advisors. They're here to serve you, the members, and seamlessly transition these important services back in-house.

I thank you for your trust in AAFMAA and look forward to our continued growth, success and expansion. It is my pleasure to serve the membership as Chairman of the Board.

Sincerely,

*Donald M. Babers*

## AAFMAA Contacts

### Membership and Insurance Sales

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

### Application Processing

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

### Underwriting

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

### Policy Services

*(payments, loans, LTCSO, beneficiaries, settlement options)*  
**Toll free: 866-4AAFMAA**  
**(866-422-3622)**  
**Local: 703-522-3060**  
**Fax: 703-526-1671**  
**email: policyservices@aafmaa.com**

### Death Notification

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

### Senior Management

*President and Treasurer*  
**Walter R. Lincoln, CFP®**

*Assistant to the President*  
**Tiana Fallavollita**

*Vice President for Marketing and Sales*  
**Lisa G. Milman**

*Vice President for Insurance*  
**Brady M. Gruler, FLMI**

*Secretary and Controller*  
**Tom E. Hargis**

*Chief Financial Advisor*  
**Florence B. (Maggie) Wilson, CPA**

## Website

**www.aafmaa.com**

# What Motivated You to Buy Life Insurance? Why Did You Choose AAFMAA?

AAFMAA has conducted surveys and focus groups in an attempt to understand the motivation and decision making habits of our members and non-members. We can never receive enough input and feedback on two questions; “What motivated you to buy life insurance?” and “Why did you choose AAFMAA?” We know the basics. For some it was because they were deploying. Others would say because they got married, bought a house or had a child. Others tell us they felt a responsibility to provide financial security for their families continued well being if they were suddenly gone.

Here is some information that we can share with you as a result of some focus groups held last year. One group included only AAFMAA members; the other did not. The AAFMAA group was markedly more tuned in to and concerned with their financial security and future. The financial acuity and concern of the members of the AAFMAA group was noticed by all observers. It was a real night and day difference. Now we just need to understand why. What created this difference?

We were able to put our finger on one common statement we heard from the financially aware group that led them to have life insurance. They discussed their finances with their parents or other trusted advisors and seemed open to listening and receiving advice from them. They were encouraged by their elders that it was the responsible thing to do.

We value your feedback and encourage you to drop us a note with your story. You can email your “AAFMAA story” to us at [membership@aafmaa.com](mailto:membership@aafmaa.com). We promise to read each and every one.



## The Importance of Referring Others to AAFMAA

*continued from page 1*

premiums and unsurpassed Survivor Assistance Services. We rely heavily on word of mouth of the membership in order to sustain and improve the association’s growth. This helps to keep costs down, which benefits everyone.

### AAFMAA is a Mutual Organization.

As a member and policy holder, you are a part owner of AAFMAA. In the commercial world of life insurance there are mutual (member owned — policy holders) insurance companies, i.e. Northwestern MUTUAL, Mass MUTUAL and so on, and there are stock owned insurance companies where the owners purchase stock. AAFMAA is a membership association. AAFMAA members must always be service members, past or present. The service member can have their

family insured by AAFMAA but the family members are not voting members of AAFMAA. They do, however, benefit from the same low-cost life insurance. The bottom-line is: The more costs are controlled, the better the premiums for life insurance and services for members and families.

### Spread the Costs Out.

The more new members join AAFMAA, the lower the cost becomes to each member. You have heard the expression: “There is strength in numbers”? Or perhaps the other that can be applied here is “Spread the Wealth”. This thinking applies to AAFMAA’s overhead costs as well. Helping spread the word about the great value AAFMAA offers military families saves advertising costs and at the same time helps spread the costs out by an additional member.

As reported previously, AAFMAA's new subsidiary, AAFMAA Financial Advisors, will open its doors on July 1, 2010 at the AAFMAA Financial Center located at 1850 Old Reston Avenue in Reston, Virginia. Restoration of the historic Manor House is almost complete and will soon be ready for members to visit. AAFMAA Financial Advisors will provide Survivor Assistance Services to surviving widows and widowers of deceased AAFMAA Members and Living Services



to AAFMAA's Grandfathered Members. The transition plan is well underway and eventually AAFMAA will be offering a complete array of financial advisory services. The leadership is in place and we are happy to announce that Jim Malley, CPA has been selected as the Executive Vice President and Chief Operating Officer for AAFMAA Financial Advisors. He comes to the AAFMAA group with a wealth of experience and dedication and we have confidence he will build a solid foundation for your future services. His focus is on continuing to provide outstanding service to AAFMAA members and survivors. He has worked closely with AAFMAA for several years and has been officially on board since March. Welcome Jim!

We encourage you to visit the AAFMAA Financial Advisors location starting on 1 July. Meet our new personnel, review and update your member information or just stop to say hello. We also will be offering a series of member surveys, focus groups, and other forums to better serve our members. If you are interested in participating, please send us an email at [MemberServices@aafmaaFinancial.com](mailto:MemberServices@aafmaaFinancial.com). We look forward to hearing from you.



## Have You Seen Our NEW Redesigned Website?

We want to hear from you. Tell us what you think. As a member, does it provide the type of information you find useful? Is it easy to navigate to that information? If you are considering additional insurance for yourself, another member of your family or looking up a question for a friend, did you find the answer easily? Did we provide a clear answer?

Have you ever used our "Get a Quote" calculator? Did you find it quick and easy to use? Have you ever compared it to other life insurance providers? Have you gone into the Member Center and explored the features offered? **Is your address up to date?** You can make the changes online in seconds now. Have you given our new online application a test run?

Best of all is the fact that if you ever get lost or confused and need to call someone at AAFMAA for help, you will be able to speak with someone on our staff (provided it is during normal business hours). Thanks for taking a few minutes and visiting our new, updated site. Because we are working with insurance issues and your benefits questions, it is easy for us to assume everyone understands. Your feedback helps keep us on track.

# 5 Suggested Approaches for Referring Others

*Membership Coordinators are available to speak with you personally from 8:30 am – 7:00 pm, Monday through Friday, Eastern Time.*



Bringing up the topic of life insurance is not something most of us feel comfortable doing with our friends in casual conversation or in a social setting, but it is important. If you have an opportunity, here are five simple approaches for suggesting AAFMAA to others.

1. Refer to your AAFMAA life insurance as “financial security” for your family. It may take the edge off of what some people consider a morbid subject of “what happens to my family when I die?”
2. Mention the fact that AAFMAA costs much less than other insurance (even SGLI). This can be a real eye opener for some. There are two ways to look at this — get more insurance coverage without additional cost over what you are paying now or pay less for the same amount.
3. Direct them to our website, [aafmaa.com](http://aafmaa.com). If you can’t remember how to spell AAFMAA, tell them to search online using words like “**Army Mutual**” or “**Air Force Mutual**”. AAFMAA comes up first.
4. Tell them they can get a no-obligation, instant quote online at [aafmaa.com](http://aafmaa.com). Answer 4 questions in less than 10 seconds. Simple and Easy. You get a quote for *EVERY* policy AAFMAA offers *PLUS* a comparison to SGLI and VGLI .
5. Have them call AAFMAA toll-free at 1-877-398-2263 and speak one-on-one with a Membership Coordinator.

At AAFMAA, there is no high pressure sales pitch. Our staff is not commission based. They will listen to your needs and try to find the best solution for your situation. Membership Coordinators are available to speak with you personally from 8:30 am – 7:00 pm, Monday through Friday, Eastern Time.

## AAFMAA advantage

Each May 1st, it is our privilege to be able to mail out thousands of term refunds on eligible Level Term I and Five-Year Renewable Term policies. If you own one of these eligible policies, your term refund should be arriving in your mailbox in the month of May. It's one of the ways that, as a mutual association, AAFMAA members and policy owners with term policies can participate in the success of the association. Since the inception of AAFMAA term insurance in 1997, AAFMAA has been able to provide a partial premium refund on select term products. Level Term I policies issued to non-nicotine users currently enjoy a 10% refund. While this refund is not guaranteed, we have paid it since the Level Term I policy was introduced. Five-Year Renewable Term policies also currently receive a 10% partial premium refund. You must have had your eligible policy in force on December 31, 2009 in order to qualify for this year's refund. This year's term refunds included over 35,000 policy owners equaling \$1.1 million. This number continues to increase each year as we sell more and more term policies.

# Term Refunds on the Way



## Do You Use a Billpayer Service to Pay Your AAFMAA Premiums?

Many people these days use an online billpayer service to pay their bills in a timely fashion, eliminating their having to write checks, pay postage and drop payments in the mailbox. If you are someone who uses a service like this to pay your AAFMAA bills, please let us know. You can email your name, policy numbers paid by billpayer and daytime phone number to [policyservices@aafmaa.com](mailto:policyservices@aafmaa.com). This will allow us to designate in our administration system that you are paying using this type of service. It will hopefully help prevent miscommunications regarding your method of payment and give our Policy Services department the heads-up that you are a billpayer client.

## Loan Against the Cash Value of a Value-Added Whole Life Policy

The owner of a Value-Added Whole Life insurance policy can borrow up to 75% of the cash value of the policy. Interest is charged at a variable rate of 1% over the current crediting rate. For 2010, the crediting rate is 7% and the loan interest rate is 8%. Interest is billed on the anniversary date of the loan. If unpaid, the interest is added to the outstanding amount. A difficulty arises when the interest is unpaid for a relatively long period of time. If the outstanding amount of the loan plus accrued interest becomes greater than the cash value, the policy will lapse because there is no cash value left to support the policy.

There are two parts to the cash value of a policy; premiums paid in and that part above the premiums paid in, or gain. A taxable event occurs when the policy lapses. The difference between the loan including accrued interest (which is greater than the cash value) and the premiums paid in is taxable as ordinary income. AAFMAA is required to issue a 1099-R to the owner of the policy with a copy to the IRS. The theory is that the owner of the policy had the use of the money, some in the form of the loan and some used to pay the interest. Taxes have not been paid on the growth. According to the IRS, this amount is taxable. If you are considering taking a loan against your policy, we strongly encourage you to pay at least the interest annually. This will help avoid a lapse situation and possible tax impact. Please consult a tax professional for more detailed information.

*There are two parts to the cash value of a policy; premiums paid in and that part above the premiums paid in, or gain. A taxable event occurs when the policy lapses.*





**AAFMAA**  
 102 SHERIDAN AVENUE  
 FT MYER VA 22211-1110

Non-profit org.  
 U.S. Postage  
 PAID  
 Permit No. 665  
 Arlington, VA

*Redesigned AAFMAA  
 Website is Live*

*Term Refunds  
 in the Mail*

*Member Referrals*

**PLEASE READ!** *We've tried to make it as simple as possible.*

**AAFMAA's Value-Added  
 Whole Life Policy with a  
 100% MONEY BACK  
 GUARANTEE!**

Imagine this. You're 25 years old. You have discovered what compounding means and building cash value. You discover that AAFMAA's crediting rate of 7% (NOT guaranteed and subject to change) is one of the best in the industry. Your monthly premiums are higher than with a term policy, but you have a **100% money back guarantee**. If you decide to surrender your policy, at any time, you will receive all of your premiums paid OR the cash surrender value, whichever is GREATER. It also has a Long Term Care Settlement Option that may ease your children's worries of caring for you later. Go to our web site and learn more about this great life insurance policy including how to borrow against it.

**Projection of  
 Value-Added Whole Life Insurance**

*at Age 80 for a \$300,000 policy purchased at age 25*

