



AAFMAA

Advantage

AMERICAN ARMED FORCES MUTUAL AID ASSOCIATION NEWSLETTER

“AAFMAA 2020” – A Strategic Vision in Focus

Do you remember where you were on New Year's Eve before the clock struck year 2000? You may have been worried about the Y2K problem; listening to top hits by Cher or Whitney Houston; or preparing to watch the St. Louis Rams beat the Tennessee Titans in the Super Bowl. Meanwhile, AAFMAA was laying out its vision for the next twenty years, what we call “AAFMAA 2020.” We set out a grand vision to empower the military community with the financial solutions to achieve financial security and independence.

To achieve this, we looked at the unique case of a military member's life, built upon a solid foundation of earned entitlements: VA Benefits, Military Retirement and Social Security. Built on this foundation, servicemembers then have three areas of personal finance that support their long-term financial success: **Insurance**, **Investments**, and **Home Equity**. AAFMAA recognized that if we were going to empower the

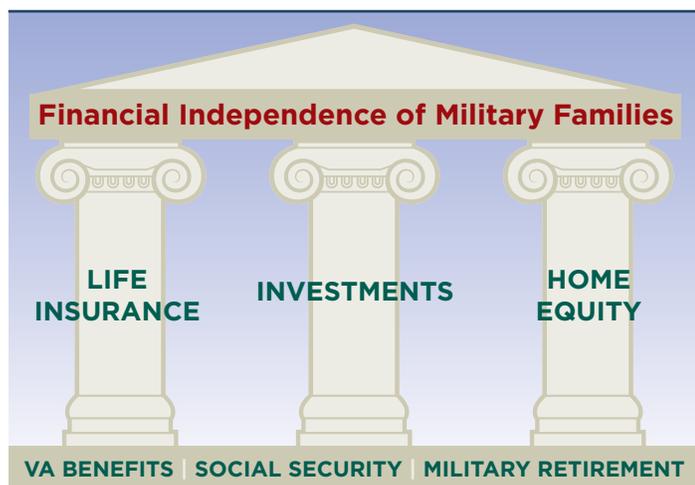
military to achieve their financial independence, our vision for 2020 needed to address all three areas.

Insurance

Previously, AAFMAA only offered one insurance product, a permanent or “whole life” life insurance . . . and that only in a small amount. “AAFMAA 2020” recognized that we needed larger policies and different types of policies to meet the needs of members at every stage throughout their careers. We now offer a full complement of insurance policies:

- **Level Term I** - Up to \$800,000 in term insurance for 34% less than SGLI for ages 18 to 50 (age 40 smokers).
- **Level Term II** - Term insurance for up to 30 years to age 85, with affordable, level premiums.
- **Renewable Term** - Term insurance similar to VGLI, but usually much less expensive.
- **EZ Term** - Up to \$100,000 term insurance with a simple, quick application process and no physical exam.
- **Value Added Whole Life** - Permanent insurance that builds cash value at a high crediting rate (6.0% for 2016) and a 100% premium return guarantee.
- **ANNUITYLife** - Grows at a generous crediting rate (6.0% for 2016), with option to *cash in* or *annuitize* the policy at any time.
- **Generations Plus** - Affordable whole life coverage that includes guaranteed ability to expand insurance.

We have enhanced the features of our whole life policies, including adding a **Long Term Care Settlement Option** and retroactively extending that option to all existing whole life policies.



INSIDE

- 4 2014 Annual Meeting Minutes
- 6 Deutsche Bank Salutes USO on Behalf of AAFMAA

- 7 Whole Life Financial Preparedness
- 7 Remembering William Clark
- 8 Contacting AAFMAA

FOR MEMBERS

We see outstanding results: Since 2000, we have increased lives insured from 62,251 to 102,971, including increasing numbers of spouses and children. Those lives are protected by 124,766 insurance policies, which is up from 85,867 in 2000. Our insurance-in-force has grown thirteen-fold from \$1.9 billion to \$25.7 billion. All of this supports our vision to better protect the American Armed Forces and their families, providing financial independence through insurance.

Investments

While insurance is necessary, it is not sufficient for the financial independence of the military. We know that military families must have an effective way to plan for their financial future, grow their wealth, and protect it for generations. In 2012, we created **AAFMAA Wealth Management & Trust (AWM&T)**, a wholly-owned subsidiary of AAFMAA, to do just that. As a North Carolina chartered trust company, AWM&T has a fiduciary responsibility to put the needs of the military member first, with the highest standards of care, loyalty and trust.

AAFMAA's trust company provides three critical services to help members achieve financial security and independence.

- **Financial Planning.** Unbiased, fee-only, comprehensive financial planning to design a road map leading to success. Periodic updates can ensure that members remain on track. Members can use their individualized plan to manage their investments.
- **Investment Management.** For members uncomfortable managing their own investments, AWM&T will manage the funds — NO commissions, NO in-house products, NO conflicts of interest. From small to large accounts, each member benefits from seasoned, professional management.
- **Trust Services.** For members who want the protection of a trust...whether because of age, special needs children, a surviving spouse, or to preserve hard-earned assets for a following generation, AWM&T's experienced professionals will ensure that your wishes and values persist even after you're gone.

After its launch just three years ago, AWM&T now has over \$245 million in **assets under management**. AWM&T provides professional investment management for these funds, and does so at a fraction of the cost of other investment managers. If money management challenges you, check out AWM&T.

For active duty members, AWM&T has built the **Uniformed Services Account**, which allows service members to benefit from professional investment management, beginning with

a \$1,000 initial investment and requiring an additional \$250 per month.

Home Equity

As AAFMAA protects lives with life insurance and grows your personal assets through investment strategies, AAFMAA's vision recognizes that the largest single source of wealth for many servicemembers remains the equity built through home ownership. With more military families moving off post and facing the complex environment of mortgage lending, AAFMAA members need a reliable organization they can trust to provide them excellent, transparent service in obtaining a home loan at the most affordable cost. To meet that need, the final major part of "AAFMAA 2020" is the creation of **AAFMAA Mortgage Services (AMS)**. AMS will open in our Fayetteville office in 2016. Initially, AMS will provide residential mortgages in North Carolina, rapidly expanding to Virginia,

Florida and other states. This wholly-owned subsidiary of AAFMAA completes the final pillar of services to facilitate the financial independence of military members. Be sure to watch for future announcements so that you can get the same, superlative personal service that you expect from AAFMAA — now with an extremely affordable mortgage that empowers you to purchase your perfect home.

Vision 2020 Meets 9/11

Like any other plan, "AAFMAA 2020" had to confront unforeseen challenges and overcome them while still providing consistent, excellent service to our members. Soon after we embarked on the vision, terrorists attacked the nation on September 11, 2001, and the Nation has sustained the last 14 years at war in Afghanistan, Iraq, and throughout the globe.

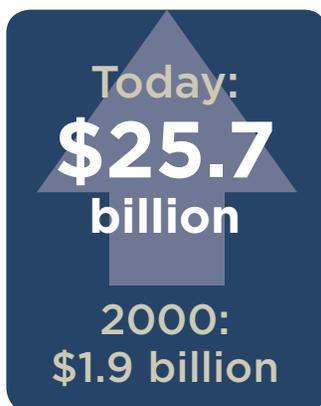
AAFMAA adapted to new realities by increasing our war and contingency reserves to ensure that we can always fulfill our inviolate promises to provide benefits for every member. In the past 15 years, we have paid over **\$592 million** to the families of service members and veterans. Our Survivor Assistance Team has become even more expert in obtaining benefits for members, helping them navigate the challenging maze of agencies. The Survivor Assistance Team ensures that each survivor receives every

benefit to which they are entitled. We now work with over 14,500 widows and widowers to ensure that they receive all of the benefits they deserve — for the rest of their lives at no additional cost.

LIVES INSURED



INSURANCE-IN-FORCE



In 2000, only several dozen AAFMAA survivors received monthly annuity checks from AAFMAA death benefit payouts. Now 531 widows and widowers not only receive a monthly check, but also receive a bonus check every year so that their annual interest rate equals our high Net Yield on Assets, an estimated 4.8% in 2015. In today's economic environment, almost no other organization provides such a high rate.

Our Member Benefits Team are experts on the always evolving VA claims process. They have assisted hundreds of members with their **VA disability claims**, leveraging our partnership with Disabled American Veterans (DAV) so that members can submit accurate claims to receive all the benefits to which they are entitled. We developed **Premier Services** so that new non-Grandfathered members can take advantage of our exclusive member benefits and expertise as well. We also developed the **secure digital vault** so that members can access their important documents any time, anywhere.

Vision 2020 Meets the Great Recession and Financial Repression

Beyond the wars, AAFMAA has effectively managed its assets through one of the most challenging economic periods in history. In the midst of the Great Recession of 2008-2009, many other financial companies were in trouble, lost money, went bankrupt, or were consolidated. Not so with AAFMAA. Through prudent management and with a sound investment approach (described in the subsequent article about our Annual Meeting), AAFMAA has been immensely successful. Investing soundly for the long term, no debt, no derivatives, only focusing on achieving a stable return for members.

Over the past 15 years, the average **Crediting Rate** for whole life policies has **been 7.1%**, particularly remarkable, given the policy of Financial Repression, which has led to persistently low interest rates. Most other insurance companies' crediting rates are less than 4.5% with many being as low as 1%.

This continued success has not been achieved easily. In 2001, we began implementing our digital strategy to fundamentally transform every aspect of AAFMAA's administration. Automating routine processes has allowed your staff to focus on YOU, not paperwork. Our investment in automation has leveraged technology to keep costs low.

Focusing on Members



The AWM&T office in North Carolina



The Manor House — on AAFMAA's campus in Reston, Virginia

AAFMAA's vision for 2020 remains consistent with its founding purpose 136 years ago — to focus on doing everything that we can for our members and their families. We have expanded eligibility so that all members of the American Armed Forces can benefit from AAFMAA's superlative personal service. We expanded AAFMAA membership to the **Navy, Coast Guard, and Marine Corps** in 2011. This has increased membership, from 61,444 in 2000 to 89,204 today. This 45% growth in membership is particularly significant as all military services continue significant reductions. Now, more military families than ever can benefit from what AAFMAA provides to achieve their financial independence now and in the future.

Our progress towards **"AAFMAA 2020"** demonstrates that we are well on our way on the path that we began in 2000. We have succeeded because of the great work of all our employees who work incredibly hard every day to take care of YOU — our members.

Merry Christmas, Happy Hanukkah and best wishes for a Happy 2016!

Walt

Walter R. Lincoln, CFP®
President and Treasurer

136th Annual Meeting **Minutes**

[The Annual Meeting convened at 1200 hours, 9 June 2015, at the Army Navy Country Club, Arlington, VA.]

LTG Donald M. Babers (USA, Ret) Chairman of the Board of Directors, called the 136th Annual Meeting to order. LTG Babers recognized two departing members of the AAFMAA Board of Directors and thanked them for their distinguished service: Gen. John A. Shaud (USAF, Ret) and COL James P. Gerstenlauer (USA, Ret). LTG Babers also recognized two other AAFMAA members: CPT David Polonitza was our youngest member in attendance and COL John E. Wagner was both our longest tenured member (with over 61 years of loyal membership) and our oldest member in attendance (at age 87)! The AAFMAA Secretary presented each of them with a gift.



LTG Donald M. Babers, USA, Ret, Chairman of the Board

Last year's meeting was on 10 June 2014. The minutes were published and distributed to all members. A motion to waive the reading of the minutes was made, seconded, and the minutes were approved unanimously.

LTG Babers noted that the annual meeting was being simultaneously broadcast to AAFMAA's offices in Fort Myer and Reston, Virginia; Fayetteville, North Carolina; and our newest office in Winter Park, Florida. LTG Babers described another outstanding year for AAFMAA:

Over the past 136 years, AAFMAA has grown to over \$25.6 billion of insurance. We insure over 100,000 lives of members and their families and we continue to grow, even as the military downsizes and we are in the midst of challenging

economic times. In these conditions, it is even more important for members to spread the word about AAFMAA. Membership in AAFMAA means that you can relax and breathe easy, knowing we will always provide outstanding products and services throughout your lifetime and for your survivors.

The key to any success is good management and well-led, dedicated employees. We are proud of the fact that 39% of AAFMAA's employees have served, are serving in the reserves or guard, or are married to a service member. We understand the military community and are dedicated to taking care of you.

Walt Lincoln, our President and Treasurer, keeps the team focused and deserves the credit for the outstanding success we have enjoyed. It's my pleasure to turn the meeting over to Walt for his remarks.

MAJ Walter R. Lincoln (USA, Ret) thanked the Chairman and then discussed the 2014 results:

This past year, 2014, was another record year, continuing AAFMAA's sustained growth. All three metrics reached all-time highs. Lives insured increased to a new record of 102,906, total policies in force reached 124,813, and insurance in force ended the year at \$25.6 billion. Backing this record has been another outstanding financial year. Assets, on an admitted-value basis, exceed \$1.1 billion. Remember we have no debt, no derivatives, no stock options, no Lear jets — just everything for the member! The market value of those assets exceed \$1.2 billion or about \$71 million above cost.

While interest rates hover near zero, I am proud to report that our Net Yield on Assets reached 4.5%. By adding capital gains to the Net Yield on Assets, you get Total Return. AAFMAA's Total Return for last year was 8.5%, which is outstanding, especially in an era of low interest rates. These strong returns in 2014 allowed the directors to declare a 6.5% Crediting Rate for 2015. The Crediting Rate determines the interest that is added to the cash value of each whole life and **ANNUITY**Life policy. Remember that, generally, when the cash value goes up, your death benefit goes up.

As I cautioned at last year's annual meeting, the government continues to pursue its policy of Financial Repression. This policy inevitably rewards debtors and punishes savers. This policy also results in huge transfers of wealth. It may continue for some time longer in which case the interest rate we earn on our bonds will gradually decline. Over an extended period, lower interest rates will inevitably force

gradually lower Crediting Rates. Additional details are explained in the AAFMAA Annual Report, which has been distributed to all members.



MAJ Walter R. Lincoln, USA, Ret, CFP® President and Treasurer

MAJ Lincoln then discussed how we manage your money to generate consistently high returns and why our success is important to you and your survivors. How do we do it? First, we take a very long-term perspective — thinking in terms of 20 years or longer. Second, we apply a disciplined quantitative process. Third, we evaluate each investment on a relative value basis.

Why is any of this important to you? By applying these three investment concepts over a very long time, we generate investment returns that support continued high Crediting Rates, currently 6.5%. For example, since 1996, when we started tracking Total Return, our annualized Total Return has been 7.0%. An average 7.0% each and every year during the past 19 years. That compares very favorably with the average annual inflation rate of 2.2% over the same period. These high Crediting Rates add interest to your cash values; higher cash values generally increase your death benefit; and high death benefits protect your survivors.

You joined AAFMAA to ensure that your survivors would be cared for after your death. We do that in several ways: unlimited lifetime information and assistance for survivors; large death benefit payouts to provide financial security; and, through AAFMAA Wealth Management & Trust, professional investment management to ensure that those death benefits can be managed for the rest of your survivor's life and perhaps to continue for generations. Ultimately, AAFMAA is all about your survivors. MAJ Lincoln then showed a video with the story of Navy Commander Bill Krissoff and his family, who served in the Marine Corps.

The world will take little note nor long remember what we say here today, but those survivors who come after us will know what we do every day for every survivor. Here are just two examples of hundreds of letters received:

"I want to express my deepest appreciation to you, your staff, and to AAFMAA for the way that you came along side me when my husband passed away last November. 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. I know that your help made a huge difference for me during that time. It is hard to believe that seven months have already gone by, but with your help I was able to take care of things that needed to be done. And I can now begin a new journey with confidence because you helped me obtain the documentation for the VA so that my monthly allotment was processed without difficulty. I am beginning to move forward and find a new way of living without my husband, and I will always be so grateful for your kindness and help at the most difficult time of my life." Arlene F.

Many in this room may remember General of the Army Dwight D. Eisenhower, class of 1915 from West Point and a member of AAFMAA upon his graduation, 100 years ago this month. Some of you may have served under General Eisenhower when he was in uniform or when he was Commander-in-Chief during his presidency. Upon his death, AAFMAA helped to ensure that his widow, Mamie Eisenhower, received 100% of the benefits to which she was entitled. Their son, Brigadier General John Eisenhower, a noted historian in his own right, recently died and again AAFMAA was there to assist.

"John always told me that I could rely on AAFMAA to help me should he die before me. I find he was right and I thank AAFMAA for it." JoAnn Eisenhower.

For over a century, AAFMAA helped Eisenhower widows and AAFMAA will always be there to help your survivors. No country in all of history has ever given more of its treasure or more of its troops to secure the liberty of others than America. As part of that noble cause to secure freedom for others, AAFMAA members have served, fought, bled, and died. For 136 years, AAFMAA has been there to care for their survivors. For their sacrifices, they have willed to us a wonderful world. MAJ Lincoln then showed a second video that reflected the contributions of America's military. This concluded the President and Treasurer's Report. A motion to approve the report of the President and Treasurer was made, seconded and approved unanimously.

136th Annual Meeting

CONTINUED FROM PAGE 5

LTG Babers then called on BG Mike Meese (USA, Ret) to provide the report of the Chief Operating Officer and Secretary. BG Meese provided a presentation about the new and improved AAFMAA Member Center. As the main venue in which members interact with AAFMAA, the new Member Center has enhanced security features, is easier to use, and has improved ability to log in, upload documents, access the digital vault, make payments, and update member information. It is an important part of AAFMAA's digital strategy.

BG Meese then presented the results of the Nominating Committee and proxy balloting. The Nominating Committee consisted of: COL Carlos Perez, Jr. (USA), Chair; Mr. William H. Buck, Member; and BG Rickie McPeak (USA, Ret), Member. The Association thanked the nominating committee for their time and effort. The committee nominated: CW3 Robin H. Boudiette, Jr. (USA, Ret), RADM Janice M. Hamby (USN, Ret), and MG William M. Matz, (USA, Ret), each for their first term on the Board of Directors. Proxies were received, duly counted and certified by an independent proxy service. All nominees were elected by the membership and their terms will continue until the Annual Meeting in 2019. This concluded the results of the Nominating Committee and proxy balloting. A motion to close the nominations and elect the nominees was made, seconded and the nominees were elected.

Since there was no new business to be brought before the meeting, the 136th Annual Meeting of AAFMAA adjourned at 1245 hours.



BG Michael J. Meese, USA, Ret, COO and Secretary



COL James Gerstenlauer, USA, Ret, (left) and GEN Jack N. Merritt, USA, Ret, (right) at the Annual Meeting

Deutsche Bank Salutes USO on Behalf of AAFMAA

On October 13, the Deutsche Bank Americas Foundation donated \$5,000 to the United Services Organization (USO) in honor of Deutsche Bank's 85-year relationship with AAFMAA.

Receiving the donation on behalf of the USO are (from left to right): Mike Meese, AAFMAA COO and Secretary; Walt Lincoln, AAFMAA President and Treasurer; Rob McCollum, Managing Director and Head of Portfolio Income Solutions at Deutsche Asset & Wealth Management; and Mike Early, Managing Director and Head of Client Solutions for the Americas at Deutsche Asset & Wealth Management. The check presentation was part of AAFMAA's Asset and Liability Meeting.



Being Financially Prepared for Your Whole Life

As an AAFMAA member, you know that planning for the future is important. Having a financial management strategy for your family's future is a major priority. It is never too early to start planning, as tragedies can leave people blindsided when they don't plan for the eventualities of life.



Term insurance policies have fantastic features, providing a relatively large death benefit for the lowest possible premium, but they are designed to protect a family in the event that the policyholder dies while still in prime earning years. While having this kind of protection is crucial in the case of a premature death, term insurance goes unclaimed if all goes well. So, in most cases it is good to supplement term policies with permanent coverage.

With whole life insurance, there is no expiration date. You can buy a whole life policy at any age, but the earlier you do, the more affordable it will be and the greater its potential for growth will be. Not to mention, permanent coverage guarantees that your family will never be faced with financial hardship due to your death. Whether death comes at 65, or at 120, you can rest assured that your survivors will have the funds to help pay for final expenses like funeral costs, legal bills, property distribution, debt settlement, required taxes, loan payoffs and the list goes on.

But death is not the only life-altering event to consider. There, unfortunately, are additional financial burdens that you must be prepared to protect yourself and your family from.

When you think about your life in retirement, and what you have been saving money for throughout your career, you hopefully envision exciting travel experiences and spoiling your grandkids. The last things you want to have to budget for in your golden years are nursing aides and hospice care.

It is always good practice to hope for the best and plan for the worst. Use your retirement savings for quality living, but back that up with one of AAFMAA's whole life insurance policies, which are a great option because they include a long-term care settlement option.

Before deciding which whole life insurance policy to pursue, consider the three unique features of AAFMAA's Value Added Whole Life:

1. In addition to a high crediting rate that helps build cash value faster, AAFMAA provides a 100% money-back guarantee throughout the life of the policy. Unlike many other companies with high surrender charges, AAFMAA will refund 100% of all premiums paid or provide you the cash value of the policy — whichever is greater! There are no surrender charges.

CONTINUED ON PAGE 8

Remembering William Clark



Former AAFMAA Board member MAJ William D. Clark (USA, Ret) died on 28 September 2015. The son of General Mark Clark, MAJ Clark graduated from West Point in 1945, and served in the US, Austria, Italy, Japan, and Korea. During the Korean War, he earned the Distinguished Service Cross, two Silver Stars, and three Purple Hearts.

MAJ Clark retired from the Army in 1955, and continued to serve in various positions in the Pentagon, including Principal Deputy Assistant Secretary of the Army (Manpower and Reserve Affairs). In 1989, he received the Distinguished Civilian Service Award.

MAJ Clark served on the AAFMAA Board from 1994 until 2002. His sound advice helped strengthen AAFMAA to move forward with our mission to be the premier provider of insurance, financial and survivor assistance services to the military community.

Whole Life Insurance

CONTINUED FROM PAGE 7

- As previously mentioned, all AAFMAA whole life policies include a long-term care settlement option, which allows you to receive your entire death benefit while you are still living, tax free up to the current IRS limit of \$330 per day. Some AAFMAA members find that purchasing whole life insurance, with a long term care settlement option, is a great alternative or supplement to long term care insurance.
- Finally, the most important reason for permanent insurance is so that your family will have AAFMAA's exclusive Survivor Assistance Services to ensure that they receive all of the benefits you earned through your service. AAFMAA's Survivor Assistance experts work with Social Security, the Veterans Administration, DFAS, and others to ensure that your family gets everything that they deserve — for the rest of their lives.

You don't have to forego your term insurance policy for a permanent option. Actually, most members with whole life policies also have term policies. It is common for members to keep their large term insurance policy to protect against loss of income and also get a smaller whole life policy to ensure that they have permanent protection too.

Permanent life insurance should be part of everyone's strategy. It guarantees security for your family after your death, while providing a safety net should you require long term care.

Did You Know?

You Can Still Use Government Allotments to Pay for Life Insurance.

A recent change to DoD policy prohibits military pay allotments to 'purchase, lease, or rent personal property.' Some leaders and finance offices have misunderstood that policy and have mistakenly discouraged all allotments — including those to AAFMAA. You should know — and tell your colleagues — that allotments for insurance payments, including those to AAFMAA, are still specifically permitted. If you or your finance office has any questions they can ask DFAS or contact AAFMAA's COO, BG (Ret) Michael Meese, directly at (703) 707-4602 or mmeese@aafmaa.com to explain this DoD policy.



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Policy Services

Payments, policy loans, beneficiary changes, LTCSSO

Direct toll-free phone: 1-800-336-4538

E-mail: PolicyServices@aafmaa.com

Member & Survivor Benefits

Death claim processing, vault documents, VA representation, benefits counseling, Family Information Report (FIR)

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Wealth Management & Trust

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