



AFBA FALL UPDATE

2006

President's Call

2006 marks AFBA's 59th year of service. During this time, our nation's sons and daughters have fought in the Korean War, Vietnam, two Gulf Wars, and now the war on terrorism. AFBA continues to stand firmly by our members by providing low-cost life insurance coverage in times of war and peace.



We care deeply about the future of our AFBA families, which is why the **Charles C. Blanton AFBA Family Survivor College Scholarship** was started in April 2004. The Scholarship provides up to \$10,000 per year for a maximum of \$40,000 toward college degrees. This is available to spouses and dependants of members who have been killed while on duty during war or by an act of terrorism. It has recently been expanded to cover First Responders involved in operations at the scene of an incident while on duty. Currently, over 100 families are eligible.

AFBA — Benefits You Can Count On

- ★ **Emergency Death Benefit** — Up to \$15,000 is mailed to the beneficiary within the first 24 hours of reporting a member's death.
- ★ **Free Financial Planning Guide** — Updated annually for the use of our members. This is an excellent source for military pay information, allowances, and retirement benefits.
- ★ **Military Historical Tours** — AFBA members can now explore military historical sites around the globe and receive a discount through AFBA.
- ★ **Car Rental Discounts** — Available from Alamo, Hertz, Avis, and Dollar.
- ★ **Low-Cost IRA's** — Members of the Association have access to a variety of low-cost IRA's through both 5Star Bank and the AFBA 5Star family of mutual funds.

Life Cycle Provider

As we improve our services to our members, we want you to know that our primary goal is to expand the way people think of AFBA. Our 300,000 members know us primarily for our life insurance for military families and emergency service providers. You trust us and we insure your lives with over \$36 billion of life insurance in force.

We would also like you to consider AFBA as a provider for more of your financial services throughout your family's entire life cycle. Through our related enterprises, we currently offer a wide range of financial products including investments and banking.

- ★ **5Star Life Insurance Company** — Rated "A-" by AM Best, underwrites AFBA's entire range of group life insurance products and provides individual products for the business market.
- ★ **5Star Bank** — Checking accounts, deposit products, personal and mortgage loans, and credit cards with a theft identity protection program.
- ★ **AFBA 5 Star Fund, Inc.** — Diversified family of seven no-load mutual funds with "I" shares designed especially for AFBA members.

We welcome your ideas on how we can better serve you. Please contact our customer service department at **1-800-776-2322** or e-mail us at info@afba.com.

Sincerely,

General Ralph E. "Ed" Eberhart, USAF (Ret.)
President

What is Select Term?

Select Term is a life insurance product providing a level death benefit at a fixed premium for a specified period of time, e.g. 10, 15, 20, or 30 years. After expiration of the term period, you can reapply for another fixed term, if medically qualified and within the issue age limits.

Who Should Buy Select Term?

A person seeking life insurance protection with a level premium for a specified period of time to cover expenses in the event of their death should consider Select Term. Such expenses might include paying off a mortgage, providing for your children's education, or income for your spouse. Some factors you should consider before making decisions as to which product to select are:

- ★ What and who do you need the insurance coverage for?
- ★ What can you afford to pay in contributions?
- ★ How long do you need the coverage?

Depending on the term selected and the applicant's age and risk class, Select Term is a good value for individuals over age 40 looking for a level

contribution with a lower total cost over the long term.

Sample monthly contribution: A 45-year old male who qualifies for our preferred class, for 20 years of \$100,000 of coverage carries a monthly contribution of \$22.01.



5Star Life Insurance Company is now offering an Ultra-Preferred pricing class. If you meet certain medical eligibility standards, our new pricing class offers the lowest monthly contributions yet.

Customer service representatives, are available at **1-800-776-2322** from 8 a.m. – 5:30 p.m. Eastern Standard Time, Monday through Friday, to answer any questions you might have and to mail out brochures with additional information.

Life insurance products with 5Star Life Insurance Company are especially attractive because they feature products aimed specifically at the military population and other markets with potentially high-risk occupations:

- ★ There are no war or terrorism exclusion clauses.
- ★ There are no occupational and area restrictions.
- ★ Select Term is completely portable — it stays with you after retiring or separating from the military.

Important Life Insurance Beneficiary Information

If you wish to re-designate a beneficiary, you may download a beneficiary form from our web site at www.afba.com. Please print the form, fill it out completely, sign, date, and mail to AFBA. You may also call **1-800-776-2322** and request a form be mailed to you. Please note that only the policy owner is permitted to change the beneficiary.

This is a reminder that many state laws now automatically cancel the life insurance designation of a spouse beneficiary upon divorce. Therefore, please take the necessary steps to contact AFBA and re-designate your primary beneficiary.

Higher FDIC Insurance Coverage for Most Retirement Deposits

For the first time in more than 25 years, Congress has raised the limit on the federal deposit insurance coverage that protects your retirement savings.

The new law provides up to \$250,000 of protection for the combined total of traditional and Roth IRAs (Individual Retirement Accounts), Simplified Employee Pension (SEP) IRAs, Savings Incentive Match Plans for Employees (SIMPLE) IRAs, self-directed Keoghs, and certain other retirement accounts an individual may have on deposit at an FDIC-insured bank or savings institution. (In general, self-directed means you choose how and where the money is deposited.)

This higher coverage is now in effect and reflects a substantial increase from the \$100,000 insurance coverage previously provided. FDIC insurance coverage for retirement accounts applies primarily to certificates of deposits, from one month to five years. Your retirement accounts are insured to \$250,000 separately from any other deposits you have at the same institution.

Good News for Many Savers

The increase in FDIC coverage for retirement accounts provides added peace of mind to the many people who have saved substantial sums for their retirement and who want to deposit more than \$100,000 at one bank for safety, convenience, or other reasons.



5Star Bank Deposit Rates

Type	APY*
Money Market ¹	3.05%
CD/IRA ²	
1 Year	4.40%
18 Month	4.50%
2 Year	4.55%

*Annual percentage yield (APY) is accurate as of 9/25/06. Minimum balance to open account and earn the APY is \$1,000. ¹ Money Market rate is variable and may change after the account is opened. APY is 3.30% for balances of \$50,000 - \$99,999 and 3.55% for balances of \$100,000 and above. Fees could reduce earnings. ² CD rates are fixed for the length of the term, and a penalty may apply for early withdrawal of principal.

No Change in FDIC Coverage for Other Accounts

It's important to remember that the basic insurance coverage for other deposit accounts remains at \$100,000 per depositor per bank. However, there are ways to qualify for more than the basic coverage. For example, the checking and savings accounts (not retirement accounts)

you have in your name alone are insured to \$100,000 separately from your share of any checking and savings accounts held jointly with other people at the same bank.



Still Have FDIC Insurance Questions?

We're here to help at **1-800-776-2265**, or go to www.fdic.gov for publications and access to the Electronic Deposit Insurance Estimator (EDIE), an interactive tool to help you better understand your particular deposit insurance coverage.

You Asked and We Listened! 5Star Bank Service Enhancements Coming Soon

- ✓ Credit card rewards — Cash, air travel, gift cards ... and more
- ✓ New online credit card service features — Change your address, request a credit line increase ... and more
- ✓ Streamlined credit card bill payment process
- ✓ Smoother online banking — 24/7 online support and receive statements online
- ✓ Improved online bill payment — Bills you pay will arrive faster and you will be able to receive your bills online

Watch your statements for details!

“If past history was all there was to the investment game, the richest people would be librarians.”

– Warren Buffet, Investor

As an initial disclaimer, Warren Buffet did not intend to offend any wealthy librarians with the above quote. Instead, the intention is to highlight one of the essential building blocks of successful long term investing. Regardless of age or objective, asset allocation is that building block. It allows your money to work its hardest for you while minimizing the risk that comes along. After all, you worked hard for your money and now it is time your money returns the favor by working hard for you.

Asset allocation is the process of selecting the correct mix of investments for your unique situation. Realizing that risk takes on many forms and can never be entirely eliminated, asset allocation seeks to combine equities, fixed income, and cash in a way that minimizes risk. Mom would refer to this as not putting all your eggs in one basket.

Many AFBA members have found investing in a balanced mutual fund to be a suitable way to have their money work for them. A balanced fund generally combines equities, fixed income, and cash in a single, easy to purchase investment. By doing so, it provides your asset allocation in a single step. These funds are typically designed for long term investors seeking growth along with income.

If this type of investment sounds interesting, the AFBA 5Star Balanced Fund is one option you may want to consider. The fund's consistent performance has earned it accolades from many well known sources. For example, the September 2006 edition of Money Magazine rated it among the top three performing balanced funds in the entire industry over the past twelve months.*

You should consider the investment objectives, risks, charges, and expenses of the AFBA 5 Star Funds carefully before investing. A prospectus with this and other information may be obtained by calling 1-800-243-9865 or by visiting our web site at www.afbafunds.com. The prospectus should be read carefully before investing.

* Rankings are based on total return and do not take sales charges into account. Rankings for periods greater than 1-year were not published.

PFPC Distributors, King of Prussia, PA

As a special thank you for opening an account in any of the seven AFBA 5Star Funds by year end, you will receive a special AFBA stuffed eagle. The eagle, which is capable of reaching higher altitudes than any other bird, is a symbol of strength and dependability. These are some of the same characteristics we believe you will find in the AFBA 5Star Balanced Fund. For additional information, please visit www.afbafunds.com or call an Investment Specialist at 1-800-243-9865.



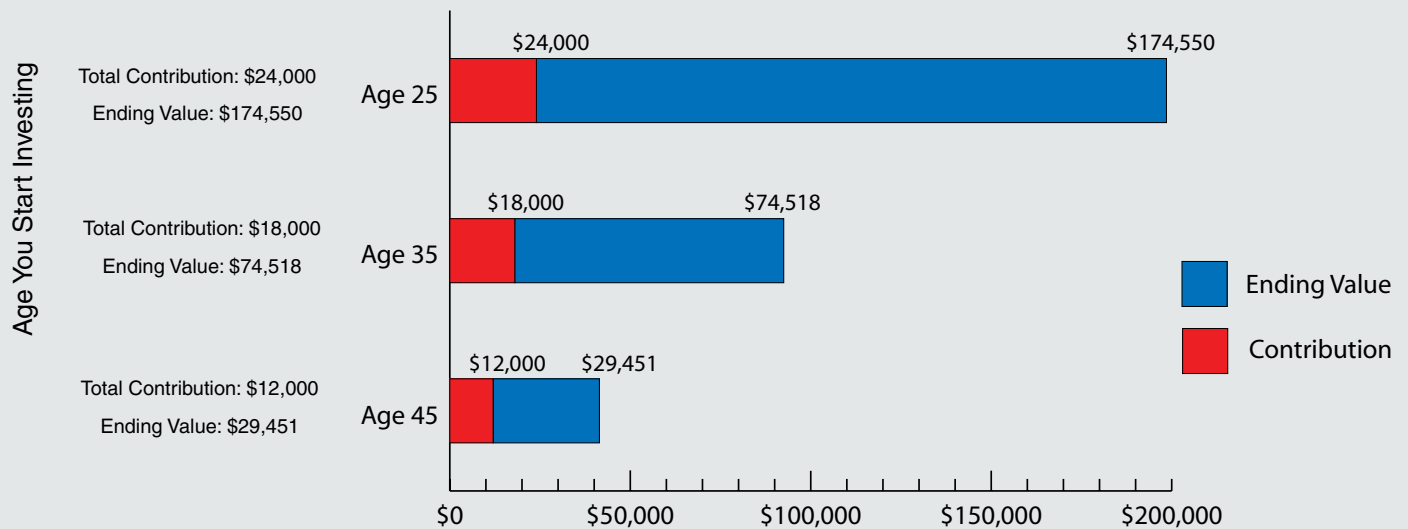
NEW IRA Annual Fee Waiver

AFBA 5Star Funds is waiving the annual fee on all Traditional and Roth IRA's for members with an active automatic investment program (AIP).* An IRA is a tax advantaged account designed specifically to help you build retirement savings. With social security benefits being uncertain, now is a good time to take control of your retirement nest egg. The chart below illustrates how investing early and regularly with an AIP can, over time, offer dramatic results toward reaching your long-term goals.

The annual fee is also being waived for new and existing IRA accounts with a balance of \$10,000 or above. Contact an Investment Specialist at **1-800-243-9865** for additional information on opening a new account, transferring an existing IRA, or rolling over a TSP to AFBA.

Automatic Investment Plan: The Benefit of Starting Early

The value of an automatic investment plan when based on a contribution of \$50 a month until the age of 65 at a return rate of 8%.



Hypothetical illustration is based on the value of an investment with a before-tax return of 8%, compounded annually. This does not represent any particular investment and is for illustrative purposes only. Your actual rate of return may be lower or higher.

*Fund expenses continue to apply, as described in the prospectus.

Sign Up for Our Free Investment E-Newsletter

You are encouraged to enroll in our free monthly newsletter. Each month it delivers an easy to read investment update that is witty, fun, and informative. Once enrolled, your confirmation e-mail will include the list of ten investment tenets that could improve your investment performance.



AFBA Announces 2007 Member Travel Benefit!

In partnership with Military Historical Tours, AFBA members will receive a 5% discount on a 20-28 October 2007 Seine River Boat Cruise.

Join General Carl Fulford, USMC, on a cruise from the lights and streets of Paris through the incomparable French countryside to the D-Day beaches, with an optional trip to the legendary Belleau Wood battlefield. Call them at **1-800-722-9501**.

Contact Information

- ★ Life Insurance Programs 1-800-776-2322
- ★ Bank Products & Services 1-800-776-2265
- ★ Travel Services 1-800-648-7412
Receive a 5% discount by mentioning code 7195 and paying with your 5Star Bank credit card
- ★ AFBA 5Star Mutual Funds 1-800-243-9865
Choice of 7 different no-load mutual funds
- ★ Auto Rental Discounts

Alamo	1-800-462-5266	Code BYT
Hertz	1-800-654-3131	Code GHG F5
Avis	1-800-331-1212	Code MMBT
Dollar	1-800-800-6080	Code AFB06
- ★ You may also contact us via e-mail at info@afba.com or through our live **online chat** at afba.com

Benefits Under Consideration

In our Spring Newsletter, we asked you what you would like to see as new member benefits. We listened and we are now exploring several different new and exciting programs.

- ★ **Auto Loans** from one of the nation's largest providers. Apply for one of the lowest loan rates to purchase or refinance your new or used auto or motorcycle, and receive up to a \$50 gift certificate once you fund your loan.
- ★ **Financial Planning** from one of the biggest and most experienced planners in the business. It is never too late to plan for the future.
- ★ **Survivor Assistance Program** — A new type of service to provide survivors with compassionate, expert support in navigating the many government bureaucracies. During that traumatic period, counselors complete all paperwork for government benefits such as Veterans Administration, Social Security, and SBP. Advocacy experts actively work to ensure that all appropriate entitlements are received.
- ★ **Discount Wellness Programs**, which will offer you a wide choice of services such as Vision, Dental, Hearing, Vitamins, Health Club, Chiropractic, etc.
- ★ **Dental Insurance Program**, which will compete with major dental programs and save you money.
- ★ **Medical Screening Tests** — An offer by America's leading provider of quality health screenings to detect arterial abnormalities, at a reduced cost.

Every Member Get a Member!

Tell your friends and family about us and if they become members, we will send you your choice of an AFBA hat or travel mug for free. With **"Every Member Get a Member,"** send us the name and address of anyone you believe would be interested in products from AFBA or its related enterprises. We will send them a CD of our new AFBA video, which tells the "AFBA story" and what we offer. When they become members, call us and let us know and we will send YOU your choice of an AFBA hat or travel mug — while supplies last. Fill out the reverse side of the enclosed **Information Request Form** with one to three contacts.

