

the Royal Neighbor

Issue 2 • 2010

2009 Financial Summary
Royal Neighbors posts
record-setting results

Staying connected
Today's technology
makes it easy



Women in Leadership series:
Stephanie Acri, a machine shop
owner who balances technology
and family values

A Message from the President/CEO



It seems as if our world is spinning faster and faster with each technological innovation of the 21st century. Communication is instantaneous, information on any subject is a computer click away, shopping can be done without leaving our couch, and there's a gadget for everything. We've come a long way since the days of radios and black-and-white televisions!

Technology may have a few drawbacks, but for the most part, it's exciting and I can't wait to see what comes next. Stephanie Aciri, on our cover, agrees. As the owner of a machine shop, she has learned first-hand how technological advances can save time and money. She has melded the efficiencies of innovation with a family attitude toward her business to ensure her employees are happy and successful. And, at the same time, she's raising three children who have the same strength of character and commitment to family values that she does.

The world of computers has opened doors we never thought possible and gives us new opportunities to stay connected with our loved ones. Our Home and Family section this month offers help for those of us who don't have our own Facebook® page, and don't know a "tweet" from a "blog." We've provided information about what's available so you can communicate with your children and grandchildren with some semblance of confidence that you know (and they know) what you're talking about!

Today's technology also allows us to provide our members up-to-date and comprehensive information about the financial strength of the Society. Your peace of mind knowing your financial future is protected is always top of mind for us. You want, and deserve, to know if Royal Neighbors is on sound financial ground. And, it most certainly is!

We're extremely proud of what we've accomplished. We reported record-setting numbers in life insurance and annuity sales in 2009. Life insurance premiums from new business issued in 2009 was \$16.9 million, a **105% increase over 2008**. The favorable financial results also show we have assets of \$719 million and surplus of \$222 million, resulting in a surplus ratio in excess of 30%, which is significantly above the estimated industry benchmark of less than 8%. This ratio demonstrates the percentage of total assets we hold to provide for unexpected losses. Premium collected on members' certificates increased to \$150.3 million. You'll find more of our Annual Report on Pages 14-17.

Our financial statements show more than numbers. They demonstrate that we have the resources to continue to fund our 115-year mission of helping women and those they care about. Without our strong insurance and annuity sales, our ability to make a positive impact in communities across the nation would be severely hampered. However, because we have such a robust financial story, we are able to participate in volunteer initiatives such as JOIN HANDS DAY. I enjoyed spending the morning of May 1 with our Home Office employees and young people volunteering at the Rock Island YWCA. Working with the youngsters to improve the Y was inspiring and so much fun. Thank you to the more than 70 chapters that participated in JOIN HANDS DAY projects across the country! And, for those who haven't had the opportunity to join with other Royal Neighbors to volunteer in your community, I encourage you to get involved. You'll be glad you did. It will enrich your membership immeasurably.

Cynthia A. Tidwell
Cynthia A. Tidwell

A fraternal benefit since 1900, *The Royal Neighbor* magazine exemplifies the values of our Society by providing members useful, stimulating information and a forum for connecting throughout the country.

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Important information inside!

Because the Society's Annual Report is included in this issue, every Royal Neighbors household will receive a copy.



INSURING LIVES • SUPPORTING WOMEN • SERVING COMMUNITIES™

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your Money

Save time: manage your financial responsibilities online



Juggling responsibilities for work, family, and friends with the need to plan for and manage the family finances is challenging for the 66% of women who currently act as the CFOs for their families¹. If you're not in that position today, latest research indicates that 90% of women will have sole responsibility for their finances in their lifetime².

It's easy to let the demands facing you in the here-and-now derail you from securing your financial future. Here are some tips to save you time and start actively managing your financial future. You can access these tools online when it is convenient for you.

Calculate what retirement could look like

The top fear of most retirees and pre-retirees is running out of money.

According to ssa.gov, retirees will be responsible for supplementing 60% of their retirement income from their savings.

Royal Neighbors will help you proactively manage the risk of outliving your money if you spend 15 minutes on each tool listed below:

Retirement Savings Calculator

Determine how much you need to save in order to have the income necessary for your retirement. You can run different scenarios varying your assumptions for inflation, income, and investment returns.

Retirement Income Needs Calculator

Determine how much and how long your savings will supplement your fixed income receipts (such as Social Security, pension, and other fixed income). You can run different scenarios varying your assumptions on your fixed income receipts, return on savings, and income needed.

Visit www.royalneighbors.org, and click on Your Financial Needs. Click on How much will I be able to spend during retirement?

www.royalneighbors.org

¹<http://www.aarp.org/research>

²Oppenheimer Funds, "2006 Women & Investing Survey"

Shop for a competitive rate

With the stock market continuing its volatile ups and downs, many members are seeking higher rates for the extra cash earning so little in a savings account.

Royal Neighbors has several products that may fit your needs. Check the guaranteed rates on our fixed annuity products.

Visit www.royalneighbors.org, and click on Your Financial Needs. Click on SPDA Annuities Quote Calculator.



Analyze your insurance needs

Stop wondering and take action. Our insurance needs change over the course of our lifetime.

When was the last time you took a few minutes to review your coverage and your beneficiaries (their addresses do change) and make sure your coverage meets your goals?

Visit www.royalneighbors.org, and click on Your Financial Needs.

You can determine how much insurance you need, compare different insurance products, and log in and review your current certificate.

Looking to manage your money online?

Many Americans have found that managing their money online saves them time. If your bank or credit union doesn't offer a service, consider these free Web sites found on mytwodollars.com:

Expensr.com – See how much of your money goes to food or gas. Then compare your spending with similar people so you know where to improve. Create budgets to stay on track and use the forecasting tools to avoid any financial surprises. It's all free, easy-to-use, and takes only a few minutes a day.

Moneytrackin.com – A free online Web app that allows you to track all your expenses and income easily and without effort, thus allowing you to have a clear view of your financial situation.

Mint.com – Mint connects to over 5,000 U.S. banks and credit unions, credit card, brokerage, and mutual fund companies to keep your transactions and account balances automatically up-to-date. It even auto-balances your checkbook and auto-categorizes your transactions.

Trackyourbudget.com – You can set up cash, checking, savings, and credit card accounts and enter standard withdrawal, deposit, and transfer transactions for each account. You'll have the ability to tag and jot down notes about your transactions for easy reference. There is also the ability to set up a monthly budget and when you enter transactions, you can immediately see how it affects your budget, making it much easier to stay on top of your money.

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For more information about Royal Neighbors' online financial tools, call (866) 845-6665.

you & your Family



Staying connected through technology

When Royal Neighbors was founded 115 years ago, families, for the most part, lived in close proximity to each other. Parents took care of their children and as time passed, children took care of their parents...often staying in the same neighborhoods for generations.

▲ *"I love communicating through my computer. I keep in touch with my family and post pictures on Facebook®. I also enjoy using Skype to talk "face-to-face" with my sister and niece. I even take my laptop on vacation!"*

– Karen Meincke
President
Chapter 20081
Blue Grass, IA

Today, our families and friends are scattered throughout the country, and sometimes, the world. However, with the technology now available, it's almost as easy to stay connected with our loved ones as it was when they were living next door.

Unless you have been raised on the latest and greatest in technology, the idea of sharing your life through something called Facebook® might be a foreign concept. The thought of tweeting reminds you of the blue jay outside your window, and social networking means you attend a party and talk with your friends.

Beginning at the toddler stage, our children learn about computer games, the Internet, digital cameras, etc. And it goes on from there. This is our new reality.

While not as personal as a written letter, there are many ways to stay connected and stay in touch, even if you live in Florida and your children live in California. It may be somewhat intimidating at first, but if you take some time to understand your options, it can be worth it.

Here is a basic technology glossary that will help you navigate some of the general points of today's technological advances.

Social networking: The act of socializing through an online (computer) community and keeping up with friends. Typical social networking sites allow you to create a profile of yourself, add lists of friends, and communicate with other members. Examples – Facebook®, LinkedIn®, and Myspace™.

Friend list: A user's personal list of friends, such as co-workers, current and old friends, and clients, on a social network. Once a user "accepts" someone as a friend, that friend will have access to all personal information provided by the user.

Instant Messaging (IM): A chat with one other person. Sending an instant message is essentially sending imme-

diate informal e-mails back and forth with another user where you can easily view the entire conversation on your computer.



Internet: A worldwide system of interconnected networks allowing for the transmission of information and

data between millions of computers. The Internet carries a vast array of information resources and services, most notably the documents of the World Wide Web (www) and the infrastructure to support electronic mail (e-mail).

E-mail: A method of exchanging digital messages. E-mail systems send and store electronic messages on behalf of the user.



Blog: A Web site usually maintained by an individual posting regular entries of commentary, descriptions of events, or other material such as graphics or video. Entries are commonly displayed in reverse-chronological order. "Blog" can also be used as a verb, meaning to maintain or add content to a blog. A typical blog combines text, images, and links to other blogs, Web pages, and other media related to its topic. The ability of readers to leave comments in an interactive format is an important part of many blogs.

Twitter™: Social network that lets members post updates of no more than 140 characters. It is essentially a way of letting the world know what you are doing at all times. It is often used by celebrities to allow fans to track their daily habits.

YouTube™: A Web site where you can upload, view, share, and comment on video clips from TV, films, and amateur videos.

Skype™: A software application that allows you to make voice calls over the Internet. You can visit face-to-face with your family and friends if they, too, are signed up as users. This is a great way to watch the children in your life grow and learn.



Flickr®: An image and video hosting Web site, Web services suite, and online community. This Web site is typically used by bloggers to share personal photographs.

Cellular or cell phone: A wireless telephone that typically provides voice communications, Short Message Service (text messaging), Multimedia Messaging Service (longer texts, graphics, photos, and audio and video clips), and often Internet services.

PDA: Personal digital assistant is the name given to a small hand-held device that combines computing, telephone/fax, Internet, and networking features. It can normally function as a cellular phone, fax sender, and personal organizer, and can provide access to the Internet.



Smartphone: A combination of the traditional PDA and cellular phone with a focus on the cellular phone part. It allows you to store information, e-mail, install

Visit www.royalneighbors.org and check out how you can stay connected with Royal Neighbors and make the most of your membership.

Did you know...

...the first cellular call was placed on April 3, 1973 by Martin Cooper who was the general manager of Motorola's Communications Systems division? He made the call to his rival, Joel Engel, Bell Labs head of research.

Source: Selling the Cell Phone

continue to next page

programs, along with using a mobile phone in one device. Example – BlackBerry®, iPhone

Text messaging: Refers to the exchange of brief written messages between mobile phones over cellular networks and is also known as “texting.”

MP3 player or digital audio player:

An electronic device that has the primary function of storing, organizing, and playing music and videos.

Example – iPod



Podcast: A series of downloadable audio or video files designed to be used on an MP3 player such as an iPod.

Download: To transfer a file or other content from the Internet to your electronic devices.

Upload: To transfer a file or other content from your computer to an Internet site.

App: An application that is downloaded to your computer or phone and performs a specific function. For instance, using apps you can play games, listen to music, track the calories you burn, or read newspapers from all over the world.

Forums and message boards: Discussion areas on Web sites where you can post messages or comment on existing messages independently of time or place. They are usually based around a shared interest such as sports, cars, health, etc. If you have a question about a certain topic, you can post it on a forum and other users will respond, or you can start a conversation yourself.

Global Positioning System

(GPS): A U.S. satellite-based navigation system that provides reliable positioning, navigation, and timing services to users on a continuous world-



wide basis. GPS provides accurate location and time information for an unlimited number of people in all weather, day and night, anywhere in the world. In other words, if you have (and use) a GPS system in your vehicle, you should seldom need to ask for directions.

The good, old-fashioned way

There was a time “back in the old days” that hand-written correspondence and telephone calls from a landline were the only ways to communicate. Now, these communication vehicles are unique. There is nothing better or more special than a hand-written letter, invitation, or card that can be saved as a special memento and passed on to future generations. Even a phone call where two people actually have a conversation is rare and often appreciated.

Technology is fast and convenient and provides an easy way to stay connected with those we love. But a letter in the mailbox can brighten someone’s day immeasurably and make a lasting impression.

Technology do’s and don’ts

- Do your research before you purchase or use phones, computers, and other devices.
- Don’t share your personal information with anyone you don’t trust.
- Do monitor the phone and computer activities of young children and teens.
- Don’t immediately respond to unusual requests from friends or family; check with them in person before you send money, rush to meet them, etc.
- Do be careful of your personal information that may be seen online by prospective employers, teachers, schools, etc.
- Don’t be afraid to use the great new tools available to you.
- Do use technology to keep in touch with people you don’t normally see.

“My computer has made all the difference with my genealogy hobby. I’ve found my grandmother’s 1906 birth certificate and my great-grandparents’ marriage certificate from 1899. The state of Washington has digital archives I can access that are so helpful. I also make travel arrangements and shop on my computer, bank online, share pictures through e-mail, and keep in contact with the Royal Neighbors Home Office electronically. I took a computer class for seniors at the community college and it was one of the best things I ever did.”

– Teri Sannar, President of Chapter 2333, Pendleton, OR



Your family needs you



Staying connected with your family is important. Staying healthy for them is important, too. Royal Neighbors' health discounts can help keep you in tip-top shape so you can be there for your family.

The discounts come with your Royal Neighbors membership at no additional cost and are designed specifically to enhance the quality of your life.

You have access to the following health discounts:

Prescription drugs – In 2009, members saved approximately \$1 million in prescription drug costs. You, too, can save up to 55% off approved prescription drugs at more than 56,000 participating pharmacies nationwide.

Dental care – Members may take advantage of 5% to 40% savings offered through the provider network of over 65,000 participating dentists.

Vision care – Save 20% to 40% off the retail price of eyewear or 15% off the retail price of LASIK or PRK procedures.

Preventive health screenings – Members receive four vascular Life Line Screenings for \$129 and the osteoporosis screening can be added for just \$10 more.

Diagnostic testing – Receive immediate savings of 40% to 70% off virtually all lab and imaging procedures at over 4,400 Direct Diagnostic patient service centers located nationwide.

Hearing care services – Save an average of 25% on hearing care services and products at over 1,800 locations throughout the nation.

Keep your Royal Neighbors membership card handy so it's available when you're ready to take advantage of the discounts. And remember, **the discounts can be used by your family members, too!**

Misplaced your discount card? Call (800) 627-4762 for a replacement.

To locate a participating provider in your area, call (800) 655-4074.

For more information about the complete line of Royal Neighbors member benefits, call (800) 627-4762, or visit www.royalneighbors.org



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Member benefits are provided at the discretion of Royal Neighbors of America. They are not part of any insurance or annuity contract and are not guaranteed.

Front&Center

Stephanie Acri balances technology with family values to run a successful business



Rick Jennisch Photography

Stephanie Acri with her family

What made you decide to purchase a machine shop?

I was working in the corporate world when I realized I wanted my success to be directly associated with my performance rather than circumstances outside my control.

Having a mechanical engineering degree with an industrial background and project engineering experience, I wanted to buy an industrial company. Evans was a good fit for many reasons, including its location. I wanted to stay in the area to raise my three children.

Owning a business suits my temperament well. I like making decisions, being in control of what I think is important, and being responsible for what happens. It challenges and fulfills me.

Where did you go for guidance?

SCORE is a great resource for identifying who's who when you're starting a business. I requested from its staff the names of commercial bankers in the area. I then wrote letters to those banks requesting help in finding a business to buy. Then I followed up and began working with one of them.

I developed a 300-page business plan that included in-

When you meet Stephanie Acri, machine shop owner doesn't immediately come to mind. But, that is exactly her profession. She is the owner and president of Evans Premium Manufacturing in Rock Island, IL. The machine shop specializes in manufacturing cylindrical parts for use by equipment manufacturers such as John Deere.

formation on the business, on me personally, on the past financials of the business, and sales projections. I did the work and the Small Business Development Center at Black Hawk College gave me content suggestions, edited it, and printed it.

How do people react to you as the owner of a machine shop?

I didn't have a plan for addressing employee or customer concerns about the fact that I was a woman because I didn't think it was an issue. That was probably naïve on my part.

It was unsettling for the employees at first. But they recognized that something had to change in order for the company to sustain itself. They were very open to all the changes I had to make very quickly, which was very different from the resistance I got in the corporate world.

My employees are great. They don't look at my gender anymore. They treat me like they would any other boss.

However, the outside world most certainly reacts! Some people are supportive, others are not. Those who are frustrated because I don't fit their pre-conceived notions insist on more information. They think I must be mar-

ried to, or the daughter of, the real owner.

I hope someday people's expectations are not so heavily influenced by gender. In order for young women to enter male-dominated fields, they need to overcome their own biases as well as others'.

As a single mother, how do you manage it all?

I'm fortunate that I have so much flexibility with this business. I can leave the office when I need to and I can work at home, or go in on weekends when the kids are busy.

Has technology changed your business since you bought it?

Absolutely. Aggressively searching for new efficiencies to cut costs is huge for an organization like ours. We have to offset the creep of costs we can't control like healthcare.

I sent one of my employees through process improvement training and her days are now spent on continuous improvement activities. We introduced a new software system that includes a bar-coding system that enables employees to scan the job they're working on rather than filling out time sheets detailing every part of the job. We've also streamlined the purchase of our raw materials. When we save money through technology, we can provide better employee ben-

efits and secure jobs.

Who are your mentors?

Both my mother and grandmother were wonderful role models for my sister and me. They taught us the importance of positioning ourselves to provide for our families under any circumstances.

My mother's advice to me was you can do anything you want to do and accomplish anything you want to accomplish. When I was frustrated, happy, or sad, those were the words she said to me over and over. At some point she convinced me. I am a believer.

What advice do you have for women trying to reach their goals?

It's not all upward bound. There will always be failures. That's part of life. The only time you're a failure is when

...you can do anything you want to do and accomplish anything you want to accomplish.

you dwell on that failure. If you move past that, you're not a failure anymore. It takes resilience to accomplish your goals. Define them and then break them up into manageable parts. You'll get there. And, have a plan, several actually. When Plan A

falls apart, you'll be ready with Plans B and C.

What is your definition of a leader?

Someone who is knowledgeable and is prepared to address opportunities and problems with confidence. Real leaders are open and honest and lead by example. They're supportive of those they're leading.

Oprah Winfrey is a wonderful example because she is so authentic. She gets involved in charitable works to make a difference in the world she lives in, not because people pat her on the back for it. I believe volunteering helps make our lives rich, happy, and fulfilling.

Do you want to pass your business on to your children?

It's not really my intent unless they want it. They all have different interests I hope they explore. One is interested in the medical field, one is artistic, and one is a born leader and very sensitive to others. I want them to be contributors and pursue what is authentic for them.

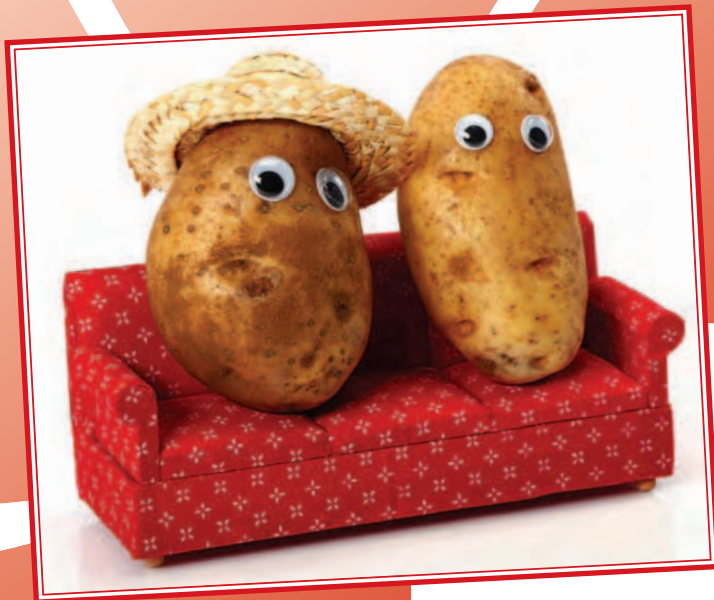
My children are the foundation of everything I do. I'm very grateful for the life I'm living and am thankful to have the opportunity to show them what life has to offer.

To learn more about Stephanie Acri, go to

[www.royalneighbors.org/](http://www.royalneighbors.org/SAcri.aspx)

SAcri.aspx

your Health



Exercise your way off the couch

Are you a couch potato? Would you rather sit in front of the TV with a remote control in one hand and a bag of chips in the other? If your idea of exercise is a trip to the kitchen for a chocolate cookie, your doctor may have some healthier suggestions for you.

Sue Mason, NFPT, a personal trainer with the Rock Island, IL, Fitness Center, would like to have a discussion with you, too. “Get off the couch and move. Do something physical every day, regardless of your age,” she said. “In addition to the exercise you can get just by walking, there is a variety of exercise equipment for every level. Technology has come a long way in making equipment safe and fun.”

Before you spend your hard-earned dollars on equipment and begin an extensive exercise routine, be sure you talk with your doctor.

When you’ve gotten the green light, you’re ready to set your goals, either on your own or with a certified personal trainer. Keep in mind that ideally your routine should include cardiovascular exercise, strength training, and flexibility workouts. All are equally important for weight, stress, and injury management. And, of course, nutrition also is key to your overall good health.

Research before you buy

If you decide that some sort of exercise machine is the best way to get you off the couch, do your research before you make a major purchase. According to Gregory

Florez, CPT, ACE professional, and CEO of Fitadvisor.com, an executive health coaching service in Salt Lake City, UT, “Technology has evolved so rapidly and it’s so exciting. There is so much sophisticated equipment coming out, and the good thing is, it’s not necessarily more complicated.”

Gregory recommends that you start your search at specialty fitness retailers. “Costs vary, but think in terms of quality, longevity, and accuracy for true feedback. It’s important to test drive the equipment and look for the features that are important to you. Don’t be dazzled by the ones you won’t use.

“Ask questions of the retailer when you’re doing your research. Learn how to use the equipment and the benefits of each piece. You won’t use what you buy if you’re not comfortable with it.”

Sue also suggests an alternative to new equipment. “You might check garage sales or stores that specialize in previously owned equipment,” she said. “Just be sure everything is working properly, and if it doesn’t come with a manual, go online and order one from the manufacturer. Think safety first!”

Maximize your exercise routine

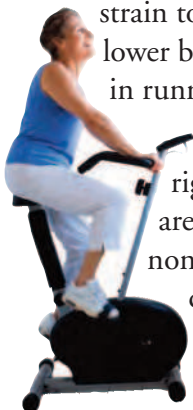
To maximize your cardiovascular exercise on a treadmill, elliptical trainer, or bicycle, it's important to vary your exercise routine. For example, if you have determined your target heart rate, a baseline of beats per minute based on age and condition, you want to stay in that heart rate zone.

After four to six weeks of the same exercise program, your heart rate will be lower than your target. This means your heart is bigger and stronger and your cardiovascular system is more efficient. You're more fit, and your heart rate numbers prove it. In order to keep progressing, you need to increase the speed or elevation of your exercise to stay in your predetermined heart rate zone.

Cardiovascular equipment options

"Treadmills, stationary bikes, and elliptical trainers, are generally excellent pieces of equipment for most people," said Gregory. "Most of them use technology to provide a variety of feedback like monitoring your heart rate, distance, calories burned, etc. Those numbers can be a huge motivator when you see results. You can see you're getting more fit even if the scale doesn't always show a weight difference."

Treadmill – This is for walking or running while staying in one place. It provides the benefit of reduced impact since all treadmills offer some sort of shock absorption. Exercising on a treadmill can reduce the strain to the ankles, knees, and lower back that would be involved in running on a normal surface.



Stationary bicycles – Upright and recumbent bicycles are popular because they are non-impact and can accommodate any age person. They can be significantly less stressful on joints.

Elliptical trainer – Also sometimes called a cross-trainer, this is a stationary exercise machine used to simulate walking or running while limiting excessive pressure to the joints. Using the handles, your arms and legs are moving at the same time. It offers a non-impact cardiovascular workout that can vary from light to high intensity based on your resistance preference.

Connecting through exercise

For many of us, exercise is a chore. When we've completed our routines, we feel better, but it's sometimes hard to get motivated. Technology has made exercising with equipment more interesting. Using the Internet, we can connect with others who have similar issues or goals and who can help keep us on track, answer questions, and motivate, support us, and make us accountable.

Some manufacturers also have direct connections to the Internet with sites where you can track your progress, earn rewards, share recipes, and be part of a chat room.

Sue advises her clients to use interactive games systems such as the Nintendo Wii™ system. These offer intuitive motion controls that get you off the couch. "This type of technology offers a wonderful workout," she said. "You can box, play golf, or personalize your exercise routine, often with other people, thereby taking advantage of the social aspect of exercising."

No matter what type of exercise you're doing or what type of equipment you're using, it's difficult to fit exercise into a busy schedule. But there is that "couch time" that could be used more productively. "Don't feel like you have to cram in a minimum of 60 minutes five days a week," said Gregory. "Do what you can, even if it's 10 minutes in the morning and 20 minutes at night. It all adds up. Just think movement!"

The State of Royal Neighbors of America

The Financial State of Royal Neighbors of America as of December 31, 2009

Audit Committee Report to Members, May 2010

*The Audit
Committee
is comprised
of four
independent
board
members:*

Chairperson –

V. Sue Molina

Patricia Gibford

Sister Francis

Clare Radke

Dr. Benét Spence

The Royal Neighbors of America Audit Committee operates under a written charter adopted by the Board of Directors, and is responsible for overseeing the Society's financial reporting process on behalf of the Board of Directors and Society members. This responsibility is accomplished by following a detailed work plan of activities. Management is responsible for Royal Neighbors' financial statements and the financial reporting process, including internal controls. The Society's independent auditors are responsible for performing an independent audit of Royal Neighbors' financial statements in accordance with applicable regulatory accounting principles.

The Audit Committee's responsibility is to monitor and oversee these processes. In this context, the Audit Committee is authorized, among other things, to approve and retain the independent auditors to conduct the annual audit of the Society's financial books and records, review the proposed scope and results of the audit, review and pre-approve the independent auditor's audit and non-audit services rendered, approve the audit fees to be paid, review and approve related party transactions, recognize and prevent prohibited non-audit services by Royal Neighbors' independent auditors, review the annual operating budget proposed by management, and establish procedures for complaints received by the Society regarding accounting matters.

The Audit Committee was formed in September 2004 and meets at least quarterly through the year. The Committee meets with representatives of management and the independent public accountants to review matters of a material nature related to auditing, financial reporting, internal controls, and audit results. For 2009, the Audit Committee retained the firm of Kerber, Eck & Braeckel, and LLP (KEB) as Royal Neighbors' independent auditors.

The Audit Committee is comprised of four independent board members. They are: Chairperson V. Sue Molina, Patricia Gibford, Sister Francis Clare Radke, and Dr. Benét Spence.

Royal Neighbors Financial Statement Summary

(dollars in thousands)

Balance Sheet

	December 31	
	2009	2008
Investments including bonds, common stocks, and mortgage loans	\$ 666,040	623,329
Real estate	6,177	6,475
Contract loans	13,874	14,225
Cash and short-term investments	12,570	9,932
Other assets	20,504	17,640
Total admitted assets	\$ 719,165	671,601
Insurance reserves and claims	\$ 479,519	435,798
Other liabilities	18,100	22,300
Total reserves and liabilities	\$ 497,619	458,098
Certificateholders' surplus:		
Fraternal fund	\$ 89,911	88,523
Unassigned surplus	131,635	124,980
Total certificateholders' surplus	221,546	213,503
Total insurance reserves, liabilities, and surplus	\$ 719,165	671,601

Income Statement

Premium income, net of reinsurance	\$ 82,031	57,214
Investment income	36,398	36,727
Reinsurance allowances and miscellaneous income	22,473	26,310
Total income	140,902	120,251
Benefits paid or provided	78,167	58,994
Commissions	32,453	25,431
General and administrative expenses	27,917	23,983
Net income (loss) before net realized capital gains (losses)	2,365	11,843
Net realized capital gains (losses)	(2,266)	(1,429)
Net income	\$ 99	10,414

Philanthropic Expenses

In 2009 we paid 70 scholarships (including renewals) totaling	\$175,568
Fraternal Support	\$1,054,064
Nation of Neighbors SM Program	\$247,000

Royal Neighbors Foundation

Contributions from Royal Neighbors	\$25,000
Contributions from other sources	\$25,303
Benefits paid out (Heroes at Home, Disaster Relief, State Scholarships, etc.)	\$92,109

The State of Royal Neighbors of America

Management's Report to the Membership

	December 31	
	2009	2008
	(dollars in thousands)	
Insurance in force face amount	2.8 billion	2.2 billion
Admitted assets	\$719,165	\$671,601
Certificateholders' surplus	221,546	213,503
Premium income, net of reinsurance	82,031	57,214
Net income	99	10,414

In its 114th year, Royal Neighbors is pleased to report another successful financial year. Our financial position is strong with assets of \$719.2 million and surplus of \$221.5 million, resulting in a surplus ratio of 30.8%, which is significantly above the industry benchmark of 8.0%.

Premium income, before reinsurance, increased \$19.5 million to \$150.3 million. New sales in 2009 resulted in \$44.7 million of annuity premium and \$16.9 million of annualized life premium. This growth was accomplished while management continued its efforts to monitor and control operating expenses.

The 2009 financial year was indeed a successful one

and we are more excited than ever about the future of Royal Neighbors. The Royal Neighbors leadership team remains committed to a responsible growth strategy that benefits all mem-

bers and to continuously executing against our long-standing commitment of neighbors helping neighbors.

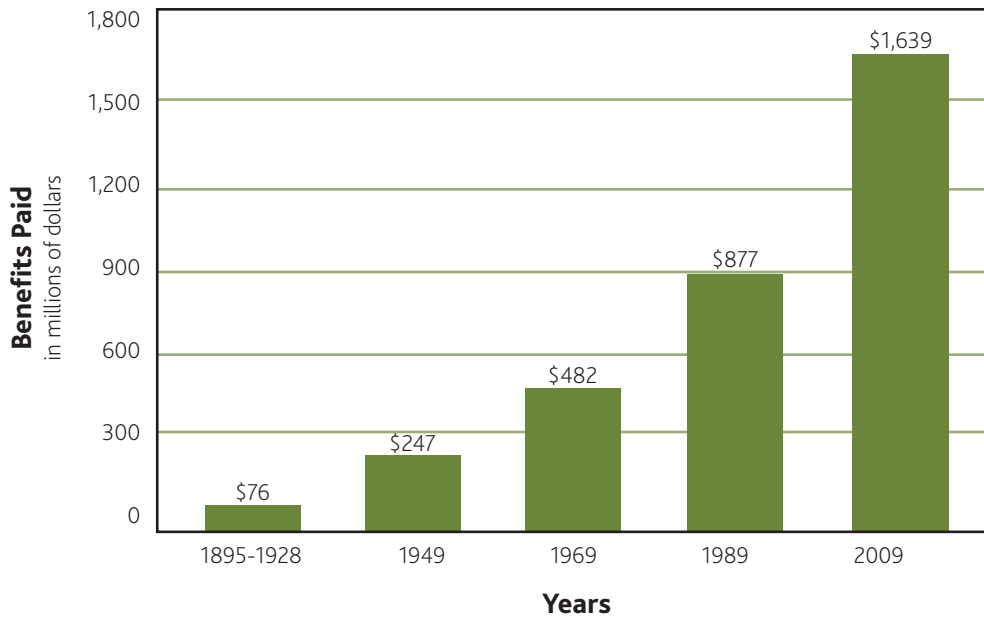
Product options available

- **Whole Life**
- **Level Premium Term Life**
- **Universal Life**
- **Single Premium Immediate Annuity**
- **Flexible Premium Deferred Annuity**
- **Traditional Individual Retirement Annuity**
- **Roth Individual Retirement Annuity**
- **Simplified Issue Whole Life**
- **Graded Death Benefit Whole Life**
- **Single Premium Deferred Annuity**
(1, 5, and 6-year interest guarantee)
- **Medicare Supplement**

These products are not available in all states.

Please call: (866) 845-6665 for more information, or visit us at www.royalneighbors.org.

Royal Neighbors of America Insurance Benefits Paid or Provided to Society Members since 1895



Since 1895, Royal Neighbors of America has been paying and/or providing insurance benefits to members and their beneficiaries.

This chart illustrates the cumulative amounts that have been paid or provided at selected intervals during that time. There are many ways in which our members receive these benefits, including death benefits, interest earned, and refunds. We are very proud to report that over the last 115 years benefits paid to members have grown from \$76 million in the first 34 years to more than \$1.6 billion. In the last 20 years alone, the benefits to our members have almost doubled. We believe this record of performance demonstrates the enduring financial strength of the Society as well as our commitment to honor the promises made in the insurance contracts held by our members.

Royal Neighbors is rated A- (Excellent) by the A.M. Best Company for overall financial strength and ability to meet ongoing obligations to certificateholders. (4th highest out of 15) as of Dec. 31, 2009

your RoyalNeighbors *connection*

2010 Nation of NeighborsSM

Program empowers women to change their lives



Focusing on its history of standing strong for women and those they care about, Royal Neighbors has assisted more than 700 families and individuals in reaching their goals and rebuilding their lives through the Nation of Neighbors Program launched in 2007.

Program Guidelines

- Nominations must include a detailed explanation of how funds will empower women
- Self-nominations are accepted
- Previous recipients are not eligible
- Information provided must be detailed, thorough, accurate, and complete
- Nominator and Nominee must be 18 years or older
- Royal Neighbors reserves the right to verify background and information provided
- Recipients are responsible for any public aid or tax implications
- Nomination deadline is Sept. 30, 2010

*For more information,
call (800) 627-4762.*

Last year, we reinforced the empowerment element of the program which was embraced by our members. We discovered such a great need for empowering women that we are focusing on changing women's lives in this year's program.

Through the program, determined women of strength and courage will be empowered with financial assistance to rise above challenging circumstances, achieve their full potential, and realize a sense of renewed personal growth.

Empowerment is about making an investment in someone's life that will create a lasting impact. It's about teaching someone to fish for a lifetime rather than giving her fish for a day. That's what Royal Neighbors is all about and that's why the Nation of Neighbors Program is so important.

As a member, you have the opportunity to encourage, support, and give back and help make an impact on a woman's life by submitting a nomination to the 2010 program.

Past recipients have included a woman who:

- Is expanding her clothing design business so she can provide long-term careers for women
- Is completing her nursing degree
- Is enhancing her marketing skills to grow her optometry business

So before you complete a nomination form, ask yourself this question: **How will financial assistance from the Nation of Neighbors Program make a long-term impact on a woman's (women's) life?**

Then all you have to do is:

- Complete the nomination form on the next page for yourself or someone you know (or download it at www.royalneighbors.org)
- Return it to the Royal Neighbors Home Office by Sept. 30, 2010

A panel of judges will review all nominations and determine the recipients. All awards will be presented by Dec. 15, 2010

We're surpassing the \$1 million mark this year in total financial assistance!



Nation of NeighborsSM Program Nomination Form
Please print • Complete all questions
Incomplete nominations will not be accepted.



You must be a Royal Neighbors member to submit a nomination.

Nominee: Self Other

Nominee's Name _____

Nominee's Address _____

City _____ State _____ ZIP _____ Phone (____) _____

E-mail _____

Is nominee a Royal Neighbors member? Yes No Don't know

Is nominee currently employed? Yes No

Is nominee 18 years of age or older? Yes No

Estimated annual family income: Less than \$25,000 \$25,000-\$50,000
 \$50,001-\$75,000 \$75,001+ Unknown

If selected, will the funds have a lasting impact on the life of a woman? Yes No

On a separate sheet of paper, please provide the following information. Be as specific as possible. This information may be the only consideration in the selection process if a personal interview is not possible.

- Tell us about the nominee and what the lasting impact would be if selected.
- Tell us what the nominee will do with the funds to empower herself or the lives of women.
- Tell us how the nominee lives the Royal Neighbors of America's neighbor-helping-neighbor philosophy.

If nomination involves starting a business, please include a Business Plan. If one is not provided, nomination will not be considered.

Note: By signing below I give permission to Royal Neighbors of America to use this entry along with my name, hometown, likeness, photograph, and statements in whatever manner, form, or medium Royal Neighbors chooses as part of the Nation of Neighbors program. Nominee must be willing to undergo information verification process.

Please provide a reference to verify the information provided.

Name _____ Phone (____) _____

NOMINATOR'S CONTACT INFORMATION IF NOT NOMINATING SELF

Name _____

Address _____

Phone (____) _____ E-mail _____

Select your current relationship with Royal Neighbors: Agent Employee Member

Chapter number, if known: _____

Signature _____ Date _____

DEADLINE FOR NOMINATIONS: SEPTEMBER 30, 2010 5 p.m. CST

Mail nomination to Royal Neighbors of America, 230 16th Street, Rock Island, IL 61201, or fax to (309) 788-1439
This program can be modified or discontinued at any time. All decisions are final and are at the discretion of the judges.

*Celebrate our
nation's
birthday with
colorful recipes*

Rosey Rhubarb Preserves

- 5 cups rhubarb, cut into 1/2-inch pieces
- 5 cups sugar
- 1 cup crushed pineapple, drained
- 1 pkg. strawberry gelatin

Combine rhubarb, pineapple, and sugar in kettle. Stir until sugar is dissolved. Cook over medium heat until thick and clear, about 10 to 15 minutes. Remove from heat and stir in gelatin. Pour into sterilized glasses. Cover with paraffin immediately.

Blueberry Raspberry Salad

- 1 large pkg. black raspberry Jell-O
- 2 cups boiling water
- 1 large can blueberry pie filling
- 1 No. 2 can crushed pineapple, undrained
- 1 pt. dairy sour cream
- 1/2 cup chopped pecans

Dissolve Jell-O in water. Add pie filling and pineapple; chill to jellied stage. Add sour cream and stir lightly until there is a marbled effect. Add nuts; put in bowl or 9 x 13-inch pan.

Cherry Cobbler

- 1/2 cup all-purpose flour
- 2 tbsps. granulated sugar
- 3/4 tsp. baking powder
- 1/8 tsp. salt
- 3 tbsps. butter or margarine
- 3/4 cup granulated sugar
- 2 tbsps. cornstarch
- 4 cups fresh or frozen unsweetened, pitted, tart red cherries
- 1/3 cup water
- 3 tbsps. milk
- 1 tbsp. coarse sugar (optional)

For biscuit topping, in a medium bowl stir together flour, 2 tbsps. granulated sugar, baking powder, and salt. Using a pastry blender, cut in butter until the mixture resembles coarse crumbs. Make a well in the center; set aside. For filling, in a medium saucepan combine 3/4 cup granulated sugar and cornstarch. Add cherries and water. Cook and stir over medium heat until slightly thickened and bubbly. Reduce heat and keep hot. Add milk all at once to dry ingredients. Stir just until moistened. Transfer *hot* filling to a 1 1/2-qt. round casserole. Immediately spoon biscuit topping into 4 mounds on top of filling. If desired, sprinkle biscuit topping with coarse sugar. Bake in a preheated 400° F oven about 20 minutes or until a toothpick inserted into biscuit topping comes out clean. Serve warm. Makes 4 servings.

There's something new on the horizon for the Royal Neighbors Foundation



The Royal Neighbors Foundation was established as the philanthropic arm of the Society in 2002. A 501(c)(3) public charity, it promotes causes that are aligned with our vision of empowering women to achieve financial security, health and wellness.

Over the years, the focus of the foundation has reflected the issues that are important to today's women and those they care about. It has supported Dogs for the Deaf, Habitat for Humanity, Heroes at Home scholarships for women veterans, disaster recovery, and our state scholarship program. Most recently it has helped provide shelter for women rebuilding after a tornado.

And there's more to come! In the next few months, the foundation board of directors will unveil an exciting new initiative that will have a wonderfully positive impact on women...one that will help build their financial futures.

In the meantime, we hope our generous members and chapters will continue to support the foundation as always – with tax-deductible donations that will make a significant difference to many individuals and communities.

Your contributions are indeed appreciated and can be sent to: the Royal Neighbors Foundation, 230 16th Street, Rock Island, IL 61201. The foundation also can be designated as the beneficiary of a bequest.

your RoyalNeighbors connection



JOIN HANDS DAY *May 1, 2010*

For the 11th year, our members across the country joined together in their communities to host activities that brought youths and adults together for a common cause on JOIN HANDS DAY.

If you missed JOIN HANDS DAY in 2010, be sure to contact your local chapter to get involved on May 7, 2011.

Members of Chapter 5784, Beecher City, IL, joined with the young people of St. Elmo Christian Church to plant flowers in the St. Elmo City Park.

Employees of the Home Office in Rock Island, IL, volunteered at the Rock Island YWCA child care center and Moxie, a clothing store offering gently used professional clothing at a discounted price. It is part of the YWCA's Women's Economic Empowerment Program providing business and business casual clothing for women who are entering or re-entering the workforce. The group painted and planted flowers at the Y and created new window displays at Moxie.



Chapter 20034, Rock Island, IL, held a Walk-a-Thon that raised \$11,000 in pledges for Grow Ministries.



Baby items were collected for Florence's Comfort House, a safe house for women and children, by employees at Royal Neighbors' branch office in Austin, TX.

JOIN HANDS DAY, developed by America's fraternal benefit societies, specifically targets and builds relationships between young people and adults through neighborhood volunteering. Youths and adults work together to plan, organize, and implement the day's activities. As friendships grow, communication and understanding will improve between generations.

The adults and youths of Chapter 516, Prophetstown, IL, spent JOIN HANDS DAY at Triangle Park. The group planted flowers, spread mulch, and pruned shrubs to help beautify the community.



The employees at Royal Neighbors' branch office in Mesa, AZ, "joined hands" at two locations. They performed general maintenance and gardening at the Phoenix Friends Church, and sorted donations at Jose's Closet and Store More Storage Units for future deliveries to foster care families throughout Arizona.



Residents of Coventry Village enjoyed a visit from the adults and youths of Chapter 30, Sterling, IL, on JOIN HANDS DAY. Flowers and plants were presented as part of the day's festivities.



Royal Neighbors board, execs roll up their sleeves to volunteer
Members of the Royal Neighbors of America board of directors and executive team spent an afternoon helping to update a home for women in transition in Rock Island, IL. Their work included landscaping the yard and painting rooms inside the duplex. Shown at the completion of their volunteer project are, left to right, first row, Linda Neuman, Le Clair, IA, and Sue Molina, Scottsdale, AZ, board members, and Cynthia Tidwell, President/CEO, and Mary Staver, Human Resources Executive, both of Rock Island. Second row, Sister Francis Clare Radke, Lemont, IL; Dr. Joyce Elam, chairman, Coral Gables, FL; and Patsy Kneller, San Angelo, TX, board members. Third row, Bruce Peterson, Secretary and General Counsel, Rock Island; Chris Seistrup, Chief Operating Officer, Mesa, AZ; and Curt Zeck, IT Leader, and Brian Haynes, Treasurer and Chief Financial Officer, both of Rock Island.



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Protecting and growing retirement savings	Royal ² , Neighbors ³ , and Crown Choice ⁴ single premium deferred annuities for amounts as low as \$5,000, \$10,000, and \$7,500, respectively
Guaranteeing income for life	Single premium immediate annuity ⁵ for amounts as low as \$5,000

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Rated A- Excellent

by the A.M. Best Company for overall financial strength and ability to meet ongoing obligations to certificateholders.

(4th highest out of 15 possible)

As of Dec. 31, 2009



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Visit www.royalneighbors.org

¹ Steady Choice, Form series 200821. ² Royal Choice, Form series 200621A. ³ Neighbors Choice, Form series 200622. ⁴ Crown Choice, Form series 200721A. ⁵ Single Premium Immediate Annuity, Form series 200231A.

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