

PROSPECTUS SUPPLEMENT FOR AARP FUNDS

SEC File Nos. 333-129081
811-21825

AARP FUNDS

**AARP AGGRESSIVE FUND
AARP MODERATE FUND
AARP CONSERVATIVE FUND
AARP INCOME FUND
AARP MONEY MARKET FUND**

**Supplement dated July 20, 2010 to the
Prospectus of the AARP Funds dated October 29, 2009,
As supplemented on February 26, 2010 and May 27, 2010**

At a meeting on July 13, 2010, the Board of Trustees of the AARP Funds approved, in principle, the liquidation, dissolution and termination (“liquidation”) of the AARP Funds. Shareholders of the AARP Funds will receive checks for the value of the shares they hold on the date of liquidation, which is expected to be on or about October 1, 2010. Shareholders have the right to redeem shares of the AARP Funds prior to the liquidation date. The Board of Trustees of the AARP Portfolios in which some of the AARP Funds invest also approved the liquidation of the AARP Portfolios at the meeting held on July 13, 2010. Subsequently, on July 20, 2010, the Board of Trustees of the AARP Funds and of the AARP Portfolios approved a Plan of Liquidation, Dissolution and Termination (“Plan”) for the AARP Funds and the AARP Portfolios (each, a “Trust,” and together the “Trusts”). Shareholder approval of the liquidations is not required.

Effective at the close of business on July 20, 2010, the AARP Funds will close to new shareholders, and no longer accept orders from existing shareholders to purchase additional shares (including automatic investment programs). However, exchanges into the AARP Money Market Fund will be permitted up to the liquidation date. In addition, the AARP Funds’ dividend payment schedule may be adjusted.

The Plans provide for the liquidation of the assets of the respective Trusts and the distribution to the shareholders of the respective Trusts of all of the proceeds of the liquidation. Shareholders will receive cash for their shares in the AARP Funds. While the AARP Funds (and the AARP Portfolios) will likely maintain higher cash positions to meet anticipated redemption requests, to the extent reasonably practical, the AARP Funds (and the AARP Portfolios) are expected to continue to be managed according to their investment objectives until the liquidation date. By October 1, 2010, assets of the AARP Portfolios are expected to be transitioned into cash. As a result, as of that date the AARP Portfolios (and the AARP Funds) will no longer be pursuing their investment objectives or engaging in any business activities except for the purpose

of winding up their business affairs and distributing their remaining cash assets to the AARP Funds for distribution, in turn, to shareholders of the AARP Funds. Shareholders remaining in the AARP Funds prior to or on the date of liquidation may indirectly bear increased transaction fees incurred in connection with the disposition of assets by the AARP Portfolios. However, AARP is a significant investor in each of the AARP Portfolios and has committed to remain invested in the AARP Portfolios until the liquidation date. Moreover, AARP Financial Inc., the investment adviser of AARP Funds and AARP Portfolios, has committed to keep the current expense limitation agreements in place through the date of liquidation.

Prior to liquidation of each Trust, the Trust will declare and pay to its shareholders of record one or more dividends and/or other distributions so that it will have distributed all of its investment company taxable income, if any, and net realized capital gains, if any, for the current taxable year through the liquidation date. The payment date for these special dividends is September 28, 2010, based on records as of the close of business on September 24, 2010.

The liquidation will not result in income tax liability for either Trust. Distribution of cash liquidation proceeds to shareholders of the AARP Funds may result in a taxable event for shareholders depending on their individual circumstances. Shareholders should consult with their own tax advisers about any tax liability resulting from the receipt of liquidation proceeds.

You can obtain further information about the liquidation and get help with transactions or account-related inquiries by calling the AARP Financial Center at 1-888-242-8412 or emailing the Center at info@arpfinancial.com. You can speak with a representative from 8:00 AM to 6:00 PM Eastern time (Monday through Friday).



December 8, 2009

The following changes are found in this book titled *Sensible Choices. Practical Advice*.

Replace footnote 2 on page 2 titled *What We Offer, How We Work*. with the following:

Excluding the real estate category. Standard & Poor's Indices Versus Active Funds Scorecard, midyear 2009 (Aug. 20, 2009) – based on the equal-weighted peer averages for the latest five-year data.

On page 3 titled *Why Lower Costs Matter*. In the hypothetical low cost fund example, replace:

- Average low-cost fund expense of 0.50%

with

- This hypothetical low-cost fund expense of 0.50% is generated by AARP Financial Inc. and does not represent any particular fund.



Sensible Choices. Practical Advice.

Mutual Fund Investing with AARP Funds

October 29, 2009

Prospectus enclosed



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**AARP FUNDS
AARP AGGRESSIVE FUND
AARP MODERATE FUND
AARP CONSERVATIVE FUND
AARP INCOME FUND
AARP MONEY MARKET FUND**

**Supplement dated May 27, 2010 to the
Prospectus dated October 29, 2009
as supplemented on February 26, 2010**

This Supplement updates information in the Prospectus dated October 29, 2009, as supplemented on February 26, 2010. You may obtain a copy of the Prospectus or Statement of Additional Information free of charge, upon request, by calling the AARP Financial Center toll-free at 1-800-958-6457 or visiting www.aarpfinancial.com.

In the section of the Prospectus captioned "Underlying Money Market Fund" on pages 12-13, please delete the sections entitled "Types of investments," "Credit quality of investments," and "Portfolio maturity" and add the following:

The Underlying Money Market Fund invests in accordance with regulatory requirements applicable to money market funds, which require, among other things, the Underlying Money Market Fund to invest only in debt obligations of high quality and with short maturities, to limit the level of investment in any single issuer, and to maintain a high level of liquidity.

Types of investments

Normally, the Underlying Money Market Fund intends to invest more than 25% of its total assets in bank obligations. The Underlying Money Market Fund may invest in the following types of investments:

- instruments of U.S. and foreign banks, including certificates of deposit (CDs), bankers' acceptances, and time deposits
- U.S. Treasury bills, notes, and bonds
- other obligations issued or guaranteed by the U.S. government and its agencies or instrumentalities
- commercial paper and other high quality obligations of U.S. and foreign companies, including Rule 144A and Section 4 (2) securities
- asset-backed securities
- repurchase agreements.

These instruments may bear fixed, variable or floating rates of interest or may be zero coupon securities.

- Please Retain This Supplement For Your Future Reference -

AFI000714 12/31/10
ARP-SP-009-0510

AARP FUNDS

**AARP AGGRESSIVE FUND
AARP MODERATE FUND
AARP CONSERVATIVE FUND
AARP INCOME FUND
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**Supplement dated February 26, 2010 to the
Prospectus dated October 29, 2009**

This Supplement updates information in the Prospectus dated October 29, 2009. You may obtain a copy of the Prospectus or Statement of Additional Information free of charge, upon request, by calling the AARP Financial Center toll-free at 1-800-958-6457 or visiting www.aarpfunds.com.

In the section of the Prospectus captioned “Who’s Who – Entities with Business Responsibilities” on page 18, please add the following:

AARP Financial Inc. (AFI) and AARP Services, Inc. (ASI) are exploring strategic options for the AARP Funds (Funds) with a view of expanding the range of financial services and products available to Fund shareholders and other AARP members. Such options could include a revised operating structure for the Funds with a continued connection to AARP or the merger of the Funds into other funds with no connection to AARP. No recommendation has been made to the Funds’ Board of Trustees. If and when any such recommendation is made, the Funds’ Trustees would make an independent evaluation of the recommendation. No changes in the daily operations of the Funds are expected while AFI and ASI are evaluating strategic options. One or more of the Funds’ officers could change during that time.

- Please Retain This Supplement For Your Future Reference -

AARP Financial Inc. — focused on investors' needs first

For over half a century, AARP® has worked to make life better for people over 50. At AARP Financial Inc., we're building on that commitment by offering products and services designed to meet your investing needs.

The Financial Advisors at AARP Financial are here to help you make informed decisions that you can feel good about.

What We Offer, How We Work.

Five funds, one no-nonsense philosophy, and a team of qualified Financial Advisors who can help you every step of the way.

A Sensible Approach to the Often Complex World of Investing

At AARP Financial, we can help you throughout the investment process. We not only have a range of products and planning services to choose from, we also offer advice and guidance based on your personal situation. And our funds are different from others in important ways.

Five Principles that Guide Our Funds

Low Fees Fees can have a significant impact on investment returns over the long term — as the example on the next page shows. That’s why we’ve created funds that have low costs.

Diversification There are thousands of mutual funds — far more choices than most investors need. Many people get overwhelmed and don’t invest. That’s why we’ve launched a carefully selected array of five funds.

The AARP Aggressive Fund, AARP Moderate Fund, and AARP Conservative Fund are each designed to be a complete investment program in themselves — for your medium or long-term goals. These funds are diversified¹ to provide you with well-rounded investments in U.S. stocks and bonds, as well as international stocks. For your short-term goals, we’ve designed the AARP Income Fund and AARP Money Market Fund. Our income fund may serve as a complete investment program for those seeking to generate current

income and conserve capital, while our money market fund provides a low-risk investment for holding and managing cash.

Indexing Another way we help simplify investing is by using an indexing approach — that is, managing a fund so that its performance is designed to follow a given index as closely as possible. This is very different from the “active management” approach used by most funds, in which the management team tries to assemble a portfolio of securities that will outperform the overall market.

Funds that use an indexing, or passive management approach, have outperformed a majority of actively managed funds across all major domestic and international equity categories.² That’s why we use indexing instead of active management.

Rebalancing Each fund — with the exception of the Money Market Fund — is automatically rebalanced to stay at or within close range of its target mix of assets. While rebalancing may trigger taxes caused by selling securities in an asset class that has grown too large, we believe it’s a wise strategy to maintain the right mix of assets to meet your risk tolerance and investment goals.

Advice and Guidance In addition, you have access to our experienced Financial Advisors who can provide guidance, answer questions, and help you make informed decisions. Most importantly, our Financial Advisors are trained and salaried professionals, not salespersons who are paid a commission for each sale they make.

An investment in the AARP Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

¹ Diversification reduces risk but does not eliminate it.

² Standard & Poor’s Indices Versus Active Funds Scorecard (SPIVA), midyear 2009.

Why Lower Costs Matter.

Think small differences in cost are no big deal?
This example may have you thinking again.

The relationship between fund costs and how long your retirement money could last

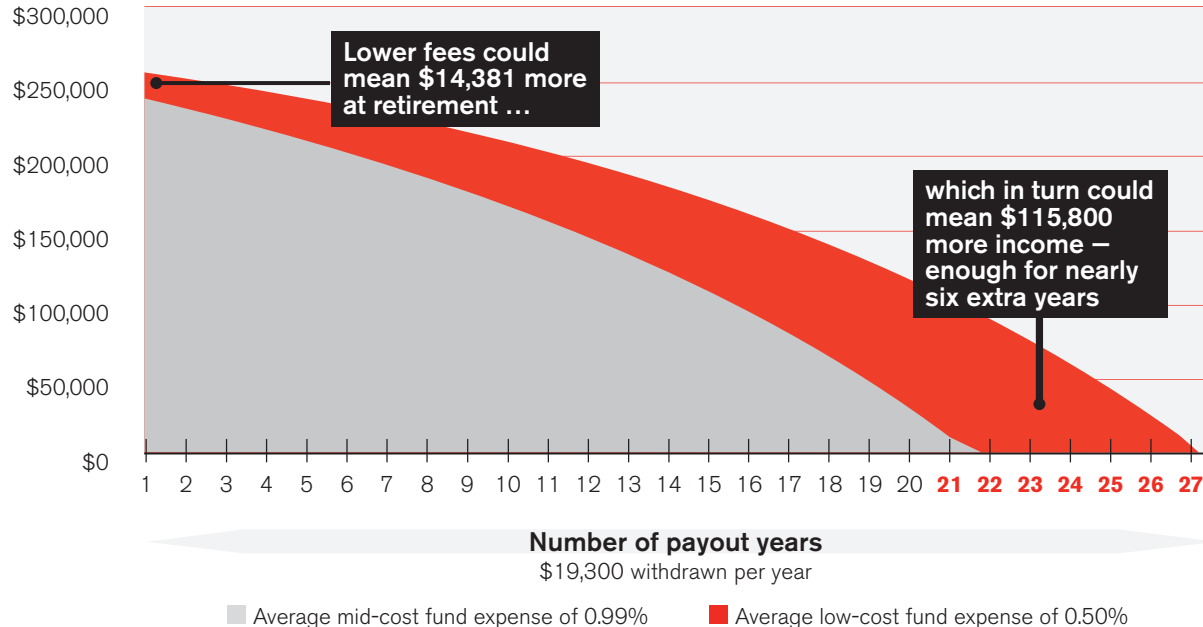
Many investors don't look closely at fund fees and may not realize how the costs can add up over time. While important during all types of markets, low fees are especially important during times of market volatility.

The mutual funds offered by AARP Financial are low fee funds — in fact, low fees are one of the principles that guide our fund management and investment strategy.

The following is only an example. But it does show you, other factors being equal, just how much difference lower costs can mean when it comes to how long a given amount of savings may last during retirement.

In the hypothetical example below, the investor who chose the lower cost fund ended up with more money at retirement. The example shows how the additional savings that resulted from lower fees can translate into more years of retirement payouts — in this case, nearly six more years.

Lower fees could mean longer-lasting retirement income



For purposes of calculating accumulation (not shown in graph), the example assumes an annual IRA contribution of \$5,000 per year, increased annually by 3% for inflation, for a period of 20 years. The balance for each year is decreased by an assumed fund expense of 0.99% in one analysis and 0.50% in the other; then, a 7% earnings rate is applied to both situations. In the withdrawal phase (graph), a withdrawal of \$19,300 is applied to each analysis. The cash flows of \$19,300 last for almost 22 years in the 0.99% analysis and for a little over 27 years in the 0.50% analysis.

Source for asset-weighted average of annual expense ratios and annualized loads for individual funds: Investment Company Institute, *2009 Investment Company Fact Book*, 49th Edition, 2009.

Five Funds, a World of Possibilities.

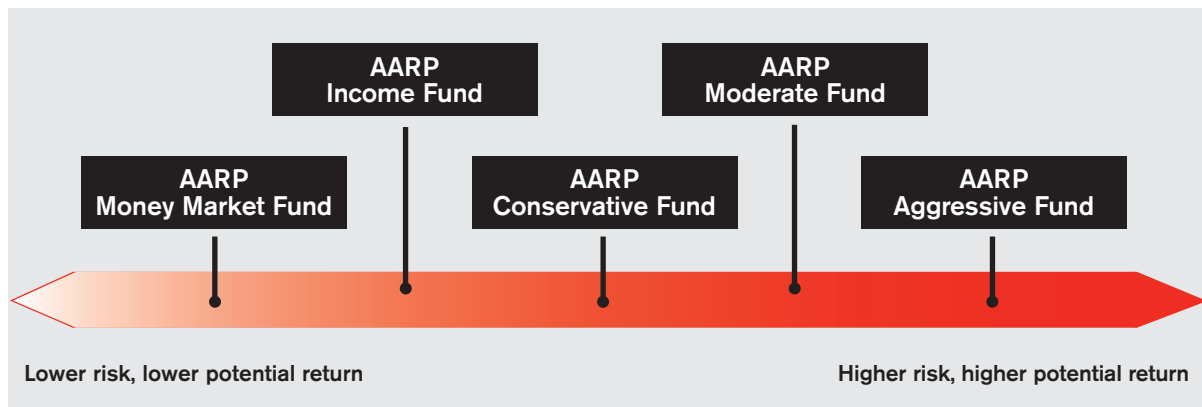
A range of smart choices that work together to meet your needs.

A full range of funds for whatever your goals may be

The chart below shows our fund family on a simple risk/return scale. The AARP Money Market Fund, on the left, has the lowest risk (though it is not risk-free), and also the lowest potential long-term return. Of course, it does offer other features, such as easy liquidity and a competitive yield.

The AARP Income Fund is designed to provide income primarily from bond investments.

The AARP Conservative Fund, AARP Moderate Fund, and AARP Aggressive Fund are asset-allocation funds, meaning they invest in a mix of U.S. stocks, international stocks, and U.S. bonds. And all three of these funds are broadly diversified, meaning you gain the same exposure as if you had invested in many individual securities.



An investment in the AARP Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Here's How We Can Help.

AARP Financial is your resource for
sound, personalized planning.

One-on-one guidance with a financial professional

The Financial Advisors at AARP Financial understand the importance of advice and guidance. They offer guidance about the AARP Funds, help determine which fund is right for you, and see if you are on track for retirement. They can also discuss the range of planning services AARP Financial offers, and provide you with guidance and advice based on your personal situation. Plus, they work on salary and receive no commissions.

Deciding to invest

Please read the AARP Funds prospectus to complete your understanding of the fund or funds that you're interested in. Additional information, such as shareholder reports and fund Statements of Additional Information, is available at www.aarpfinancial.com.

Investing in an AARP Fund is simple

- 1. Fill out an application to** (either on paper or electronically).
- 2. Return the application to us with a check** made out in the amount you wish to invest. **Alternatively, you can open an account online** at www.aarpfinancial.com and transfer the funds electronically using your bank's Automated Clearing House service.
- 3. Call us if you have any questions** or need help filling out an application. Financial Advisors are available from 8:00 AM to 6:00 PM Eastern time, every business day at 1-800-958-6457.

This information should be read in conjunction with the AARP Funds' prospectus relating to the AARP Funds. An investor should consider the investment objectives, risks, charges, and expenses of AARP Funds carefully before investing. This and other important information is included in the attached prospectus and should be read carefully before investing. If you need an additional copy, please call 1-800-958-6457 or download the file from www.aarpfinancial.com.

The Financial Advisors are registered as representatives of ALPS Distributors, Inc., a registered broker-dealer, and as investment adviser representatives of AARP Financial Inc., an investment adviser. AARP Financial Inc. offers investment advisory services and is not affiliated with ALPS Distributors, Inc.

While AARP has licensed the use of its name to AARP Funds and endorses the services provided by AARP Financial Inc., AARP does not offer financial products or services itself and cannot recommend that you or any specific individual should purchase any particular product or service. AARP Financial Inc. is an investment adviser and a subsidiary of AARP.

AARP Funds are advised by AARP Financial Inc. and distributed by ALPS Distributors, Inc.



Prospectus

October 29, 2009

AARP Aggressive Fund (AAGSX)

AARP Moderate Fund (AAMDY)

AARP Conservative Fund (AACNX)

AARP Income Fund (AANCX)

AARP Money Market Fund (AARXX)

As with all mutual funds, the Securities and Exchange Commission (SEC) has not approved or disapproved of these securities or determined whether the information in this prospectus is accurate, adequate or complete. Any representation to the contrary is a criminal offense.

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The Funds

This section describes our five mutual funds — first in summary, then in more detail. There’s information on each fund’s goal, strategies, costs, and overall risks. There’s also a table to help you find the funds that may be most appropriate for you. Before investing in any AARP fund, read this prospectus carefully.

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Your Account

This section gives information that concerns your account with AARP Funds and how to do business with us. You’ll find step-by-step instructions for placing orders as well as descriptions of policies concerning your account. There is also information on dividends and taxes. At the end is a glossary; if you’re not sure about the meaning of a word you see in this prospectus, it may be explained there. And if you still have questions, please give us a call at the number below, and we will be happy to provide you with the information you need.

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The Funds

Fund Summary

Who May Want To Invest



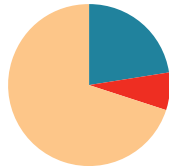
The five AARP Funds cover a broad range of goals. Whether you are saving for retirement or college or are looking for an option for holding and managing cash, we have a fund that can meet your needs.

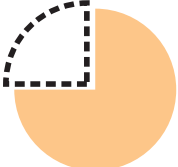
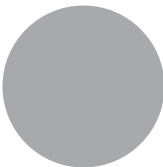
The table below shows eight common investor goals. A checkmark under a fund name means that fund could be an appropriate choice for the goal at the left. If you would like help determining whether a given fund is right for you, consult a Financial Advisor from the AARP Financial Center.

Which funds may be appropriate for various goals

Investor goals	AARP Aggressive Fund	AARP Moderate Fund	AARP Conservative Fund	AARP Income Fund	AARP Money Market Fund
Mainly seeking long-term gain	✓				
Seeking a blend of income and long-term gain	✓	✓	✓		
Mainly seeking regular income			✓	✓	✓
Investing for long-term goals	✓	✓	✓	✓	
Investing for medium-term goals		✓	✓	✓	
Investing for short-term goals				✓	✓
Earning a return while deciding where to invest					✓
Seeking a diversified, "all-in-one" investment	✓	✓	✓		

The Funds at a Glance

<p>AARP Aggressive Fund Ticker: AAGSX</p>	<p>AARP Moderate Fund Ticker: AAMDY</p>	<p>AARP Conservative Fund Ticker: AACNX</p>
<p>Investment objective Seeks growth of capital and some current income.</p>	<p>Seeks a balance of growth of capital and current income.</p>	<p>Seeks primarily current income, with some growth of capital.</p>
<p>Strategy <i>Pursued by investing in underlying funds</i> Emphasizes stock investments over bond investments, with an indexing approach being used to choose individual securities. Seeks to maintain a specific asset allocation.</p> <p>Asset class allocations</p>  <p>Target allocation 60% ● U.S. stock 20% ● International stock 20% ● Bond</p>	<p>Emphasizes stock and bond investments equally, with an indexing approach being used to choose individual securities. Seeks to maintain a specific asset allocation.</p> <p>Asset class allocations</p>  <p>Target allocation 40% ● U.S. stock 15% ● International stock 45% ● Bond</p>	<p>Emphasizes bond investments over stock investments, with an indexing approach being used to choose individual securities. Seeks to maintain a specific asset allocation.</p> <p>Asset class allocations</p>  <p>Target allocation 22.5% ● U.S. stock 7.5% ● International stock 70% ● Bond</p>
<p>Comparative level of risk High</p>	<p>Moderate</p>	<p>Low to moderate</p>
<p>Risk profile The fund's overall risk profile is likely to depend in large part on how stocks perform. Many factors can cause stock prices to fall, including negative economic or financial news, investor perceptions, market liquidity, and catastrophic events. International stocks can be more volatile than U.S. stocks. Although the fund's exposure to bond investments is designed to help lower its overall risk, this exposure means the fund is exposed to the risks of bond investing. See <i>Risks of Investing</i>, page 13 for more information.</p>	<p>The fund's overall risk profile is likely to be affected by the performance of both stocks and bonds. Many factors can cause stock prices to fall, including negative economic or financial news, investor perceptions, market liquidity, and catastrophic events. International stocks can be more volatile than U.S. stocks. Bond prices typically fall when interest rates rise, and when economic pressures make bond issuers less creditworthy. See <i>Risks of Investing</i>, page 13 for more information.</p>	<p>The fund's overall risk profile is likely to depend in large part on how bonds perform. Bond prices typically fall when interest rates rise, and when economic pressures make bond issuers less creditworthy. Because stocks are generally riskier than bonds, stock investments may have a disproportionate effect on the fund's overall risk. See <i>Risks of Investing</i>, page 13 for more information.</p>

<p>AARP Income Fund Ticker: AANCX</p>	<p>AARP Money Market Fund Ticker: AARXX</p>
<p>Investment objective</p> <p>Seeks current income and preservation of capital over the long term.</p>	<p>Seeks to maximize current income while providing for liquidity, the preservation of capital, and a stable \$1.00 per share price.</p>
<p>Strategy <i>Pursued by investing in underlying funds</i></p> <p>Emphasizes bonds and other income-producing investments, through investments in a bond index fund and other income funds.</p> <p>Asset class allocations</p>  <p>Allocation range 75% – 100% ● Bond 0% – 25% ● Other income investments, including money market</p>	<p>Invests exclusively in money market investments by investing in the State Street Money Market Portfolio.</p> <p>Asset class allocation</p>  <p>Fixed allocation 100% ● Money market investments</p>
<p>Comparative level of risk</p> <p>Low</p>	<p>Very low</p>
<p>Risk profile</p> <p>The fund's overall risk profile is likely to depend in large part on how bonds perform. Bond prices typically fall when interest rates rise, and when economic pressures make bond issuers less creditworthy. See <i>Risks of Investing</i>, page 13 for more information.</p>	<p>The fund's overall risk profile is likely to depend in large part on the behavior of short-term interest rates. When rates fall, the fund's yield typically falls also. Over the long term, money market funds may not keep pace with inflation. Although the fund is designed to maintain a stable \$1.00 share price, there is no guarantee that it will always be able to do so. See <i>Risks of Investing</i>, page 13 for more information.</p>

Investing through underlying funds

While many mutual funds invest directly in securities (such as stocks and bonds), each of the AARP Funds invests in one or more other funds that in turn invest in securities. Among them, the AARP Funds use two different methods of investing in underlying funds (as they are called in this prospectus): fund-of-funds and master-feeder funds. These are explained more fully in the section *Investment Policies: Underlying Funds* that begins on page 11.

Investing through underlying funds offers certain advantages to AARP Funds and their shareholders, including simplicity, diversification, and liquidity benefits.

Investing through the underlying funds adds certain risks as well. Although AARP Financial, the funds' investment adviser, believes these risks are unlikely to be significant, these risks are discussed in the section *Risks of Investing* that begins on page 13. All investors should be sure to read this section carefully before investing in any AARP fund.

Past Performance

This section shows the actual returns for each fund, on a year-by-year and average annual basis. This information is intended to help you understand the risks of investing in a fund. All figures assume that distributions were reinvested. Unless otherwise noted, fund results reflect any fee waivers and/or expense reimbursements.

Remember that fund returns vary over time, and that future performance (both before and after taxes) may differ from past performance.

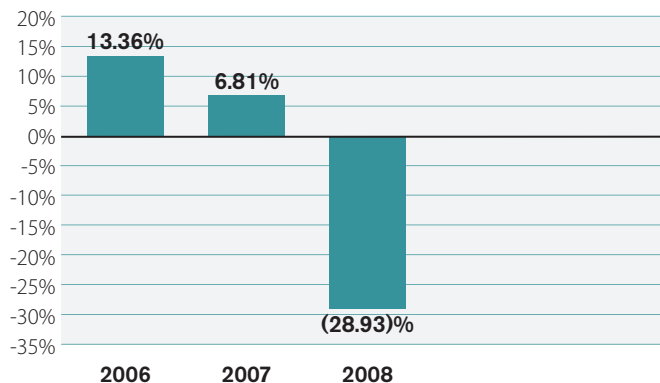
The average annual total returns tables show both before and after taxes, for each fund (except the AARP Money Market Fund). The after-tax figures:

- reflect an individual federal marginal income tax rate of 35% (the highest such rate as of December 31, 2008) but assume no state and local taxes
- assume, for returns reflecting the sale of fund shares, that shares were sold on the last day of the period
- may not reflect your actual after-tax performance
- may not be relevant to shares held in an IRA, 401(k), or other tax-advantaged retirement account

For comparison, each fund's average annual returns table also includes figures for relevant index(es). The returns for each index assume that all dividends paid by securities in the index were reinvested.

AARP Aggressive Fund

Year-by-year returns (%) as of 12/31



Best quarter: 5.91%, Q4 2006

Worst quarter: (15.78)%, Q4 2008

Total return, 1/1/09–9/30/09: 20.05% (not annualized)

Average annual returns (%) as of 12/31/08

	1 Year	3 Years	Since Inception ¹
Returns before taxes	(28.93)%	(4.88)%	(4.88)%
Returns after taxes on distributions	(29.47)%	(5.46)%	(5.46)%
Returns after taxes on distributions and sale of fund shares	(18.36)%	(4.18)%	(4.18)%
Indexes²			
Barclays Capital Aggregate Bond Index ³	5.24%	5.51%	5.51%
MSCI U.S. Investable Market 2500 Index ⁴	(36.97)%	(8.28)%	(8.28)%
MSCI ACWI ex U.S. Index ⁵	(45.53)%	(6.50)%	(6.50)%
MSCI EAFE Index ⁶	(43.38)%	(7.35)%	(7.35)%

1 The AARP Aggressive Fund commenced operations on December 30, 2005.

2 The securities that compose each index may vary over time.

3 Barclays Capital® Aggregate Bond Index contains a large variety of investment-grade U.S. and foreign bonds, covering three major categories: government and corporate bonds, mortgage-backed securities, and asset-backed securities.

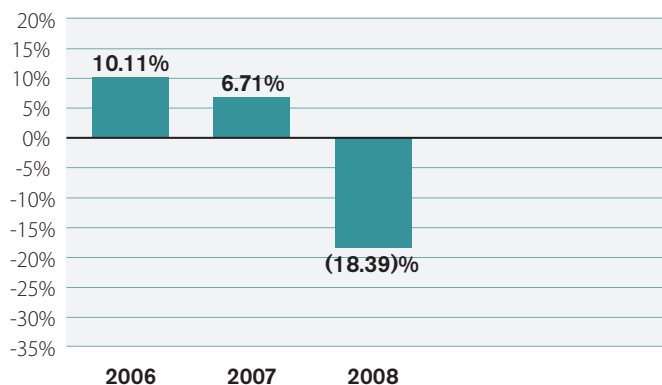
4 MSCI Inc.® (MSCI) U.S. Investable Market 2500® Index contains about 2,500 securities listed on the New York and American stock exchanges and the Nasdaq over-the-counter market. The stocks represent companies of all types and sizes.

5 MSCI All Country World Index (ACWI®), excluding the U.S. Index (MSCI ACWI ex U.S. Index) contains developed and emerging market country indices.

6 MSCI Europe, Australasia and Far East (EAFE®) Index (MSCI EAFE Index) contains about 1,000 securities listed on the stock exchanges of 21 developed countries, excluding the United States and Canada.

AARP Moderate Fund

Year-by-year returns (%) as of 12/31



Best quarter: 4.39%, Q4 2006

Worst quarter: (8.98)%, Q4 2008

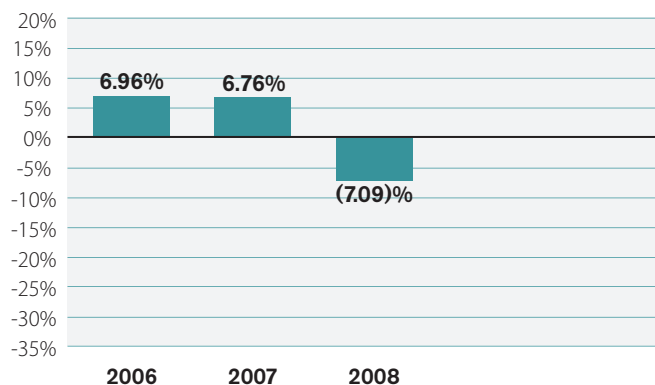
Total return, 1/1/09–9/30/09: 15.60% (not annualized)

Average annual returns (%) as of 12/31/08

	1 Year	3 Years	Since Inception ¹
Returns before taxes	(18.39)%	(1.39)%	(1.39)%
Returns after taxes on distributions	(19.24)%	(2.27)%	(2.27)%
Returns after taxes on distributions and sale of fund shares	(11.62)%	(1.49)%	(1.49)%
Indexes²			
Barclays Capital Aggregate Bond Index ³	5.24%	5.51%	5.51%
MSCI U.S. Investable Market 2500 Index ⁴	(36.97)%	(8.28)%	(8.28)%
MSCI ACWI ex U.S. Index ⁵	(45.53)%	(6.50)%	(6.50)%
MSCI EAFE Index ⁶	(43.38)%	(7.35)%	(7.35)%

AARP Conservative Fund

Year-by-year returns (%) as of 12/31



Best quarter: 3.92%, Q3 2006

Worst quarter: (3.03)%, Q3 2008

Total return, 1/1/09–9/30/09: 10.94% (not annualized)

Average annual returns (%) as of 12/31/08

	1 Year	3 Years	Since Inception ¹
Returns before taxes	(7.09)%	1.99%	1.99%
Returns after taxes on distributions	(8.26)%	0.71%	0.71%
Returns after taxes on distributions and sale of fund shares	(4.43)%	1.06%	1.06%
Indexes²			
Barclays Capital Aggregate Bond Index ³	5.24%	5.51%	5.51%
MSCI U.S. Investable Market 2500 Index ⁴	(36.97)%	(8.28)%	(8.28)%
MSCI ACWI ex U.S. Index ⁵	(45.53)%	(6.50)%	(6.50)%
MSCI EAFE Index ⁶	(43.38)%	(7.35)%	(7.35)%

1 The AARP Moderate and Conservative Funds both commenced operations on December 30, 2005.

2 The securities that compose each index may vary over time.

3 Barclays Capital Aggregate Bond Index contains a large variety of investment-grade U.S. and foreign bonds, covering three major categories: government and corporate bonds, mortgage-backed securities, and asset-backed securities.

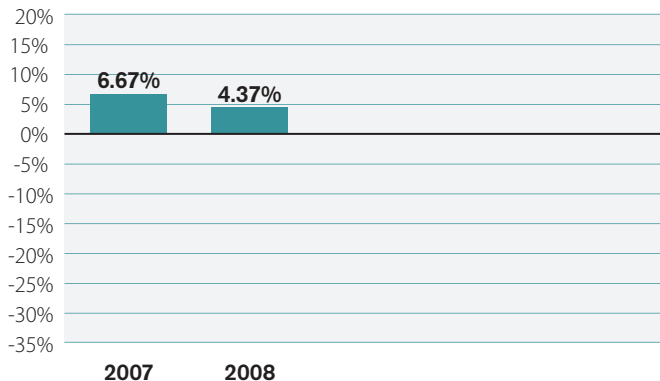
4 MSCI U.S. Investable Market 2500 Index contains about 2,500 securities listed on the New York and American stock exchanges and the Nasdaq over-the-counter market. The stocks represent companies of all types and sizes.

5 MSCI ACWI ex U.S. Index contains developed and emerging market country indices.

6 MSCI EAFE Index contains about 1,000 securities listed on the stock exchanges of 21 developed countries, excluding the United States and Canada.

AARP Income Fund

Year-by-year returns (%) as of 12/31



Best quarter: 4.05%, Q4 2008

Worst quarter: (1.17)%, Q2 2008

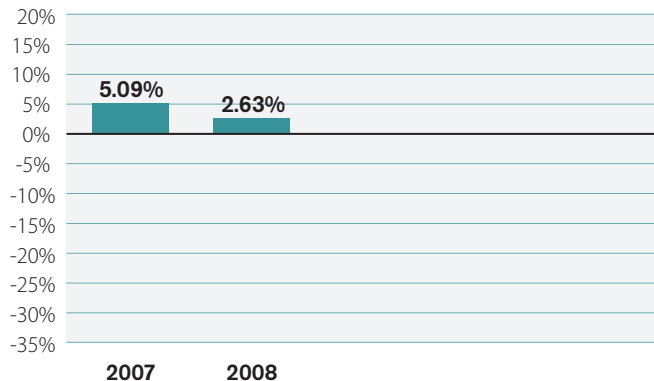
Total return, 1/1/09–9/30/09: 5.75% (not annualized)

Average annual returns (%) as of 12/31/08

	1 Year	Since Inception ¹
Returns before taxes	4.37%	5.30%
Returns after taxes on distributions	2.71%	3.59%
Returns after taxes on distributions and sale of fund shares	2.84%	3.52%
Index		
Barclays Capital Aggregate Bond Index ²	5.24%	5.95%
J.P. Morgan 1-Month LIBOR ³	3.10%	4.64%

AARP Money Market Fund

Year-by-year returns (%) as of 12/31



Best quarter: 1.28%, Q3 2007

Worst quarter: 0.46%, Q4 2008

Total return, 1/1/09–9/30/09: 0.32% (not annualized)

Average annual returns (%) as of 12/31/08

	1 Year	Since Inception ¹
Returns before taxes	2.63%	4.09%
Index		
J.P. Morgan 1-Month LIBOR ³	3.10%	4.55%

For the current seven-day yield of the AARP Money Market Fund, please visit our web site at www.aarpfinancial.com or call the AARP Financial Center at 1-800-958-6457.

¹ The AARP Income Fund commenced operations on September 29, 2006 and the AARP Money Market Fund commenced operations on June 30, 2006.

² Barclays Capital Aggregate Bond Index contains a large variety of investment-grade U.S. and foreign bonds, covering three major categories: government and corporate bonds, mortgage-backed securities, and asset-backed securities.

³ J.P. Morgan[®] 1-Month LIBOR is a benchmark rate for a one month deposit in U.S. Dollars. LIBOR stands for the "London Interbank Offered Rate."

Fees and Expenses

The AARP Funds are “no-load funds,” meaning that you pay no sales charge when you invest and no redemption fee when you take money out. However, as an investor in a fund, you do pay a share of that fund’s operating expenses, because these expenses are paid out of fund assets. The operating costs for

each AARP Fund include costs for that fund itself as well as the fund’s share of costs for each underlying fund it invests in.

The table below shows the fees and expenses you may pay if you buy and hold shares of the funds.

As of 6/30/09	AARP Aggressive Fund	AARP Moderate Fund	AARP Conservative Fund	AARP Income Fund	AARP Money Market Fund
Shareholder fees — Paid directly from your investment					
	None ¹	None ¹	None ¹	None ¹	None ¹
Annual operating expenses — Directly or indirectly deducted from fund and underlying fund assets					
Management fees	0.01%	0.01%	0.01%	0.01%	0.10% ²
Distribution and/or service (12b-1) fees ³	0.20%	0.20%	0.20%	0.20%	0.20%
Other expenses	1.27%	0.73%	1.20%	1.70%	0.55%
Acquired fund fees and expenses ⁴ (underlying fund fees and expenses)	0.26%	0.26%	0.25%	0.24%	0.00%
Total	1.74%	1.20%	1.66%	2.15%	0.85%
Contractual waivers and/or reimbursements⁵					
	(1.24)%	(0.70)%	(1.16)%	(1.65)%	(0.55)%
Net annual operating expenses — After waivers and/or reimbursements ⁵					
	0.50%	0.50%	0.50%	0.50%	0.30%

1 Note that there is a fee (currently \$5) for a redemption by wire.

2 Paid by the Underlying Money Market Fund to its investment adviser. By contract, AARP Financial receives no management fee for any period in which the fund is invested in a master-feeder structure.

3 The funds have adopted a so-called 12b-1 plan, which permits them to use fund assets to pay for the sales and distribution of their shares and for servicing activities. The underlying funds do not charge distribution or servicing fees and do not distribute their shares to the public.

4 Except for the Underlying Money Market Fund, these represent a pro-rata portion of the fees and expenses of the underlying funds in which a fund invests. Each underlying fund’s fees and expenses may include advisory, transfer agent, administration, trustee, legal, audit, insurance, and other miscellaneous expenses.

5 AARP Financial has agreed contractually to waive fees and/or reimburse expenses through November 1, 2010 to cap each fund’s “Net annual operating expenses” to the amounts shown in the above table. The contractual waivers and expense reimbursements may be changed or eliminated at any time with the consent of the Board of Trustees.

Expense example

This example is designed to help you compare the costs of the AARP Funds to those of other mutual funds.

Let's say you invest \$10,000 for the time periods shown in the "Hypothetical fees and expenses" table, and that your investment earns 5% a year. Let's also say that the Net Annual Operating Expenses for each fund are as described in the fee table on the preceding page through November 1, 2010 and after that

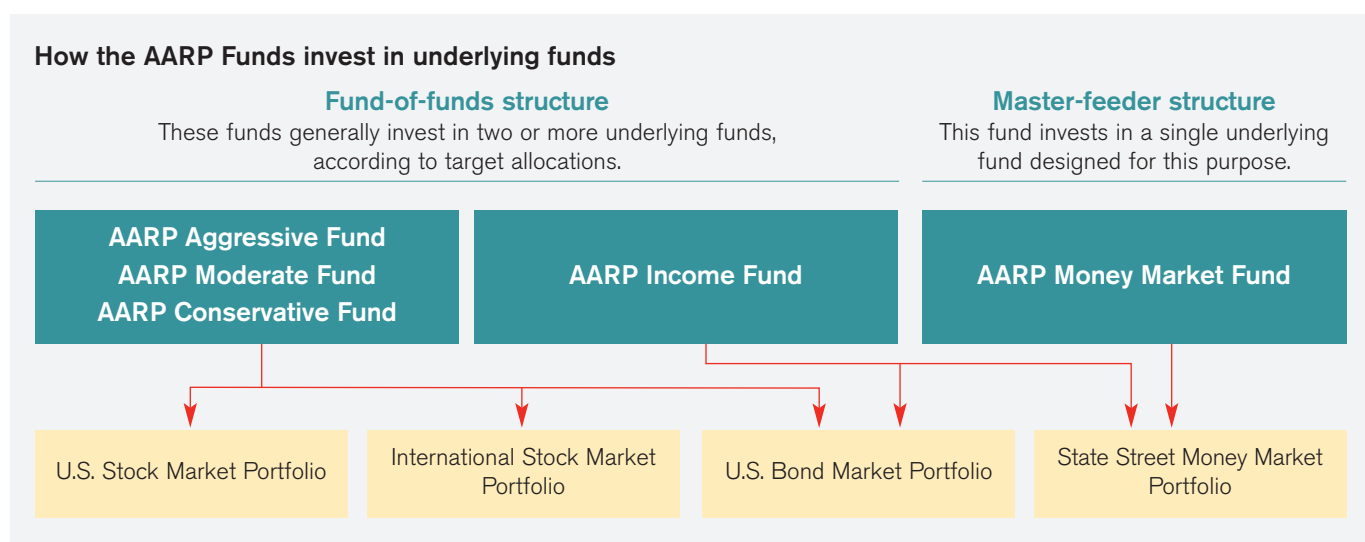
date the Total Annual Operating Expenses apply. Given these assumptions, the table shows what you would pay in fees and expenses over one-, three-, five-, and ten-year time periods. Remember, this is not a real example. It is shown for comparison only. Actual costs and returns — both past and future — might be higher or lower.

Hypothetical fees and expenses				
	1 Year	3 Years	5 Years	10 Years
AARP Aggressive Fund	\$51	\$384	\$786	\$1,912
AARP Moderate Fund	\$51	\$287	\$569	\$1,371
AARP Conservative Fund	\$51	\$369	\$754	\$1,833
AARP Income Fund	\$51	\$457	\$948	\$2,305
AARP Money Market Fund	\$31	\$197	\$399	\$980

Fund Details

Investing Through Underlying Funds

As noted earlier, each of the AARP Funds invests in one or more underlying funds. The chart below shows the specific relationships between each AARP Fund and its underlying fund(s). For ease of description, throughout this prospectus many of the funds' investment strategies and risks are discussed in terms of the funds investing directly in securities rather than investing in securities through each fund's fund-of-funds or master-feeder structure.



Investment Policies: AARP Funds

AARP Aggressive Fund

AARP Moderate Fund

AARP Conservative Fund

Primary investments

Each of these funds maintains investment exposure to a diversified portfolio (in plain English, a “broad mix”) of securities. The major asset classes for all of the funds are the same: U.S. stocks, international stocks, and bonds. However, each fund has its own target mix of these asset classes. Within each of the major asset classes, the funds rely on an indexing approach in choosing securities (see sidebar, page 12).

Over time, a fund's actual asset mix will tend to change due to differences in asset class performance. Each fund therefore intends to rebalance its asset mix from time to time (typically monthly or quarterly, but sometimes more often), in order to bring the actual mix back into line with the target mix.

Although it does not expect to do so very often, the funds' management team may change a fund's target mix without shareholder approval if the management team believes the change is consistent with that fund's investment objective.

Secondary investments

Over time, if a fund's assets grow, it may invest up to 10% of its assets in exchange-traded funds (ETFs), U.S. Treasury inflation-protection securities, small company stocks, emerging market stocks, and real estate investment trusts (REITs). These investments may be indexed or actively managed, but in either

case, they are likely to have different risks from a fund's primary investments, and they may change the overall risk characteristics of the fund.

Temporary defensive investments

A fund manager may, as a temporary defensive measure, raise cash levels or may choose to delay the rebalancing, or alter the allocation of, a fund's asset mix. Factors influencing these decisions may include AARP Financial's outlook for the economy, financial markets, and the relative value of different asset classes. Note that any temporary defensive measure represents a departure from a fund's stated strategy, and could cause a fund to have lower participation in a rising market making it less likely to achieve its investment objectives during any time when it is investing for temporary defensive purposes.

Fund-of-funds structure

These funds invest through a fund-of-funds structure. In this structure, each fund generally invests its assets in a mix of three underlying funds:

- the U.S. Stock Market Portfolio (called the Underlying Stock Fund in this prospectus)
- the International Stock Market Portfolio (Underlying International Fund)
- the U.S. Bond Market Portfolio (Underlying Bond Fund)

Any secondary investments will be made through other underlying funds, including ETFs. For more about the underlying funds and ETFs, see *Investment Policies: Underlying Funds* starting on page 11.

AARP Income Fund

Primary investments

This fund normally invests at least 75% of its assets in a diversified portfolio of bonds, with individual securities being chosen using an indexing approach (see sidebar, page 12).

The fund's management team may change the fund's investment mix without shareholder approval if the manager believes the change is consistent with the fund's investment objective.

Secondary investments

The fund may invest up to 25% of its assets in other types of income-producing securities. Over time, if the fund's assets grow, the list of potential securities in which this 25% may be invested could grow to include any or all of the following:

- money market instruments, including money market funds
- inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations
- high-yield, or "junk," bonds (not more than 10% of total assets)
- foreign government and corporate bonds
- REITs
- stocks that pay high dividends

These investments may be indexed or actively managed, but in either case, they are likely to have different risks from the fund's primary investments, and they may change the overall risk characteristics of the fund.

Temporary defensive investments

Depending on its outlook for the economy, financial markets, and other conditions, the fund's manager may raise cash levels or otherwise take a temporary defensive position. Note that any temporary defensive measure represents a departure from a fund's stated strategy, and could cause a fund to have lower participation in a rising market making it less likely to achieve its investment objectives during any time when it is investing for temporary defensive purposes.

Fund-of-funds structure

This fund invests through a fund-of-funds structure. In this structure, the fund normally invests at least 75% of its assets in the Underlying Bond Fund. For any money market investments, the preferred investment is the State Street Money Market Portfolio (Underlying Money Market Fund).

Secondary investments will be made through other underlying funds, including ETFs. For more about the underlying funds and ETFs, see *Investment Policies: Underlying Funds* starting on page 11.

AARP Money Market Fund

Investments

The fund invests exclusively in money market investments. Only investments that meet certain credit quality standards qualify as money market instruments.

Master-feeder structure

The fund invests through a master-feeder structure, in which various feeder funds can pool their assets in an underlying master fund to seek economies of scale.

Under this structure, the fund invests in the Underlying Money Market Fund, a master fund that has a substantially similar investment objective as the fund itself.

The fund may change to investing in another master fund or in money market instruments directly rather than through an underlying fund, if the fund's Board of Trustees determines such a move would be in the best interests of the fund and its shareholders.

For more about the underlying funds, see *Investment Policies: Underlying Funds* below.

Investment Policies: Underlying Funds

Except for the Underlying Money Market Fund, each underlying fund is a series of AARP Portfolios, which is a separate registered investment company. The Underlying Money Market Fund is a series of a separately registered investment company called the State Street Master Funds. Shares of the underlying funds are not offered by this prospectus and are not available for sale to the general public.

Except for the Underlying Money Market Fund, each underlying fund seeks to match the return of an index as closely as possible, before deduction of expenses of the underlying fund.

In pursuing its indexing strategy, an underlying fund, and in particular the Underlying International Fund and the Underlying Bond Fund, may use optimization and sampling techniques (see sidebar). In

carrying out these techniques, an underlying fund may invest in a variety of securities and derivatives that are not included in its index, including futures, options, ETFs, cash, and other types of financial contracts and instruments in order to seek to track the performance of its index. The underlying funds will not use derivatives for speculation or for the purpose of achieving enhanced investment returns through the use of leveraging.

Indexes

An index is a list of securities representing a market or part of a market. The returns of the index itself do not reflect the costs that would be involved in actually investing in the securities represented in the index, such as fees and brokerage commissions. While no one can invest directly in the index — it's only a list — you can invest in a fund whose goal is to track the performance of the index.

As noted in the main text, each of the underlying funds, except the Underlying Money Market Fund, seeks to track a particular index.

Index tracking techniques

There are different ways to track an index:

- **Replication** means buying every security in the index. Managers using this strategy try to make an exact or close replica of the index, buying the same securities in the same proportions as they are in the index.
- **Optimization and sampling** are investing techniques used by managers when it is expensive, impractical, or impossible to buy every bond or security in an index. These techniques are used when a fund is fairly new and growing in size. They are also used when an index is very large or contains securities that can no longer be bought.

The Underlying Stock Fund and Underlying International Fund are likely to rely on optimization and sampling until they have sufficient assets to use a replication strategy. The Underlying Bond Fund may have to rely on optimization and sampling indefinitely, because some bonds in the index may be unavailable for purchase by the portfolio.

Underlying Stock Fund

Index

The index is the MSCI U.S. Investable Market 2500 Index. This index includes about 2,500 securities traded on U.S. stock markets. The stocks represent companies of all types and sizes covering approximately 98% of U.S. market capitalization. The index is the aggregation of the MSCI U.S. Large Cap 300[®], MSCI Mid Cap 450[®], and MSCI Small Cap 1750[®] indexes.

Underlying International Fund

Index

Effective January 1, 2009, the Underlying International Fund changed its index to the MSCI ACWI ex U.S. Index. This index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of June 2009, the MSCI ACWI ex U.S. Index consisted of 44 country indices comprising 22 developed and 22 emerging market country indices. Previously, the index for this fund was the MSCI EAFE Index. In order to match the return of the MSCI ACWI ex U.S. Index, the International Fund may invest in ETFs that attempt to match the return of different segments of the index.

Underlying Bond Fund

Index

The index is the Barclays Capital Aggregate Bond Index. This index includes a large variety of U.S. and foreign bonds that are investment grade and taxable — nearly all the taxable investment-grade bonds in the U.S. bond market that are registered with the SEC and with maturities of more than one year. The index includes three major types of bonds:

- corporate and U.S. government bonds
- mortgage-backed securities, including mortgage pools securitized by the Government National

Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation

- asset-backed securities, including securities that are backed by credit card, auto, and home equity loans

The index may also include certain foreign corporate and government bonds that are denominated in U.S. dollars.

Credit quality of investments

The Underlying Bond Fund will only invest in fixed income securities that are considered “investment grade” — fixed income securities rated Baa or higher by Moody’s Investors Services, Inc. or BBB or higher by Standard & Poor’s Rating Group or are considered to be of comparable quality by the Underlying Bond Fund’s investment sub-adviser.

Underlying Money Market Fund

The Underlying Money Market Fund’s investment adviser selects investments based on its view of what types of money market investments are the most attractive at the time of investment. Interest rates, imbalances in the supply and demand for a particular type of investment, and market conditions may make one type of investment more attractive than another for a period of time.

Types of investments

Normally, the Underlying Money Market Fund intends to invest more than 25% of its total assets in bank obligations. The Underlying Money Market Fund may invest in the following types of investments:

- instruments of U.S. and foreign banks, including certificates of deposit (CDs), bankers’ acceptances, and time deposits
- U.S. Treasury bills, notes, and bonds
- other obligations issued or guaranteed by the U.S. government and its agencies or instrumentalities
- commercial paper of U.S. and foreign companies, including Rule 144A and Section 4(2) securities
- asset-backed securities

- corporate obligations of U.S. and foreign companies
- variable and floating rate notes
- repurchase agreements

Because so-called Rule 144A and Section 4(2) securities are not sold to the public, they may be difficult to value or sell if they are not actively traded. The Underlying Money Market Fund will not invest more than 10% of net assets (measured at the time of purchase) in any Rule 144A securities or other types of securities that are considered to be illiquid (hard to sell) by the Underlying Money Market Fund's investment adviser.

Credit quality of investments

The Underlying Money Market Fund invests in high-quality, U.S. dollar-denominated, money market instruments. These may include obligations that are:

- issued or guaranteed as to principal or interest by the U.S. government or its agencies or instrumentalities (i.e., securities supported by the full faith and credit of the U.S. Treasury, by the right to borrow from the U.S. Treasury, by the discretionary authority of the U.S. Treasury to lend to the issuer, or solely by the creditworthiness of the agency or instrumentality issuing or guaranteeing the security)
- rated in one of the two highest short-term categories by at least two nationally recognized statistical rating organizations (NRSROs), or by one NRSRO if only one NRSRO has rated the security
- unrated, but the investment adviser of the Underlying Money Market Fund has determined that they are of comparable quality to the rated securities described above

Portfolio maturity

In keeping with SEC regulations, the Underlying Money Market Fund maintains a dollar-weighted average maturity of 90 days or less.

Risks of Investing

Risks Common to All AARP Funds

All investments involve risk. Before you make any decisions about investing in the funds, it's important that you read and understand all the risk information in this prospectus (including the information here and in *The Funds at a Glance*).

With the AARP Funds, as with all mutual funds, there is no guarantee of performance. You should expect that the value of your investment will go up or down. You might lose money when you invest in a fund, or make less money than you expect. An investment in a fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

For each of the funds, the main risks are those associated with the securities held in the underlying funds. To the extent that a fund is exposed to a particular asset class, industry, geographic area, type of security, or securities issuer, it is exposed to the associated risks. The value of a security can decline because of issuer-related problems such as poor management, debt problems, or reduced demand for a company's products or services.

For example, because all of the funds except the Money Market Fund hold bond investments, these four funds are all exposed to the risks of bonds. However, because the funds invest in bonds to varying degrees, the role that bond risks play in shaping a fund's overall risk profile varies from fund to fund. Similarly all of the funds except the Money Market Fund may hold varying amounts of stock investments (which generally are riskier than bond investments). Because the funds invest in stock investments to varying degrees, the role that stocks play in shaping a fund's risk profile varies from fund to fund.

With all mutual funds, there are also risks at the fund level, in addition to those that derive from the stocks, bonds, and other securities held by the fund (whether held directly or indirectly). For each of the funds, fund-level risks exist at both the fund level and the underlying fund level.

	Main risks	Additional risks
AARP Aggressive Fund	Credit risk Foreign risk – emerging markets Foreign risk – stock investments Income risk Indexing risk Interest rate risk – bond investments Market risk Prepayment and extension risk Small company risk Stock market risk	Derivatives risk Exchange-traded fund risk Foreign risk – bond investments High-yield bond risk Liquidity risk Manager risk Small fund risk Rebalancing risk
AARP Moderate Fund	Credit risk Foreign risk – stock investments Income risk Indexing risk Interest rate risk – bond investments Market risk Prepayment and extension risk Small company risk Stock market risk	Derivatives risk Exchange-traded fund risk Foreign risk – bond investments Foreign risk – emerging markets High-yield bond risk Liquidity risk Manager risk Small fund risk Rebalancing risk
AARP Conservative Fund	Credit risk Income risk Indexing risk Interest rate risk – bond investments Market risk Prepayment and extension risk Stock market risk	Derivatives risk Exchange-traded fund risk Foreign risk – bond investments Foreign risk – emerging markets Foreign risk – stock investments High-yield bond risk Investment grade securities risk Liquidity risk Manager risk Small fund risk Rebalancing risk Small company risk U.S. government securities risk
AARP Income Fund	Credit risk Income risk Indexing risk Interest rate risk – bond investments Market risk Prepayment and extension risk	Derivatives risk Exchange-traded fund risk Foreign risk – bond investments High-yield bond risk Investment grade securities risk Liquidity risk Manager risk Small fund risk Real estate investment trust risk Rebalancing risk U.S. government securities risk
AARP Money Market Fund	Credit risk Foreign risk – money market investments Inflation risk Interest rate risk – money market investments Money market fund risk	Asset-backed securities risk Banking industry risk Liquidity risk Manager risk Master-feeder risk Small fund risk Prepayment and extension risks Repurchase agreement risk U.S. government securities risk Variable and floating rate securities risk

Risks of Individual Funds

The risk language in *The Funds at a Glance* is designed to give a brief summary of each fund's overall risk profile. The table on the preceding page, and the risk descriptions that follow, are designed to offer a more detailed look at the individual risks that contribute to the funds' risk profiles. The risks are listed alphabetically.

Risk Descriptions

Asset-backed securities risk Asset-backed securities are debt securities backed by pools of assets like mortgages, auto loans, and leases. Payments of principal and interest from the loans backing these securities are passed through to the investors in these securities. The values of these securities vary with changes in interest rates. Asset-backed securities that are not backed by mortgages have additional risks. For example, some of these loans may be unsecured, meaning that there is no collateral for the loan. If the issuer defaults, there is no collateral to collect to cover losses. Borrowers also may be protected by state and federal consumer credit laws that may be very favorable to borrowers at the expense of investors. Asset-backed securities can be more difficult to value or trade if a regular trading market does not exist for these securities.

Banking industry risk Banks may be particularly sensitive to certain economic factors such as interest rate changes, adverse developments in the real estate market, fiscal and monetary policy, and general economic cycles.

Credit risk If the financial health of a security issuer declines, the price of its debt securities could decline or become more volatile, or the issuer could default on its securities (fail to pay interest or principal when due). High-yield securities have more credit risk than investment-grade securities.

Derivatives risk The use of derivatives exposes a fund to additional risks and costs, including:

- the risk that interest rates, securities prices, and currency markets will not move in the direction that a portfolio manager anticipates
- the risk that the price of a derivative does not correlate as expected with the prices of the

securities, interest rates, or currencies the derivative was intended to reflect

- the fact that using derivative strategies requires different skills from general portfolio management
- the risk that it might be impossible to close out a derivatives position when desired
- the fact that derivatives could produce losses greater than the cost of the derivative; in some cases, the potential for loss is theoretically unlimited
- the risk that a counterparty will not perform its contractual obligations; this risk is greater with privately negotiated instruments
- the risk that closing out certain hedged positions could produce adverse tax consequences

Exchange-traded fund risk ETFs are ownership interests in unit investment trusts, depositary receipts, and other pooled investment vehicles that are traded on an exchange and that hold a portfolio of securities or other financial instruments (ETF portfolio). The ETF portfolio is typically selected to correspond to the securities that comprise a particular broad-based sector or international index, or to provide exposure to a particular industry sector or asset class. Investors in ETFs are eligible to receive their portion of income, if any, accumulated on the securities held in the portfolio, less fees and expenses of the ETF.

An ETF carries all the applicable risks of the securities in its portfolio (such as market risk, interest rate risk, etc.). In addition, there is also the risk that the share price of an ETF may fall below the value of the securities in the ETF portfolio.

The performance of an ETF is reduced by transaction and other expenses, including brokerage commissions for buying and selling the ETF and fees paid by the ETF to service providers.

If an ETF is a registered investment company, the limitations applicable to a fund's ability to purchase securities issued by other investment companies will apply (subject to any applicable exemptive orders).

Foreign risk – bond investments Any investment in a foreign issuer may have the risks of political and economic instability, poor regulation, insufficient issuer information, controls on currency, high taxes or tariffs, and the confiscation of assets. These risks may be greater in emerging or developing markets.

Foreign risk – emerging markets Investments in emerging markets are subject to a greater risk of loss than investments in developed markets. Securities markets in emerging countries are smaller, and generally substantially less liquid, and substantially more volatile than U.S. markets. Emerging countries also have higher risk of political instability, popular unrest, and armed conflict. Developing countries may have significant economic liabilities, such as inadequate infrastructures, obsolete financial systems, excessive regulation, significant international debt, volatile inflation rates, and environmental problems. Their economies may be heavily dependent on a limited number of export commodities, and their agriculture may be highly vulnerable to climate patterns.

Foreign risk – money market investments U.S. dollar-denominated securities from foreign issuers can pose greater risks than those from U.S. issuers, for reasons that include less stringent regulation, accounting, and reporting practices, as well as the higher risk of political, financial, and economic events among other factors.

Foreign risk – stock investments Investments in foreign stocks may be more volatile than investments in U.S. stocks and may perform differently from the U.S. market. Foreign governments might change stock exchange rules, increase taxes or confiscate investors' assets. The governments of foreign countries might be less stable than the U.S. government, and issuers in foreign jurisdictions might have less thorough regulation and accounting, auditing and recordkeeping requirements. It might cost more to invest directly in a foreign stock than it would to invest in a U.S. stock. Changes in foreign currency exchange rates could also affect the value in U.S. dollars of foreign securities.

High-yield bond risk High-yield bonds, also known as junk bonds, are rated below investment grade because there are doubts about whether the companies or entities that issue them will be able to pay interest and principal back on time. Junk bonds pay out higher interest rates than investment grade bonds because they present higher risk and are considered speculative.

Income risk The rate of income that a fund or underlying fund generates may go up and down as interest rates go up and down. The amount of any dividends you receive will fluctuate over time.

Indexing risk By using an indexing strategy, a mutual fund forgoes the option of taking any steps to lessen the impact of market downturns. In addition, a mutual fund that uses an index strategy might not perform as well as the index it aims to match ("tracking risk"). The existence of mutual fund fees and expenses, which an index itself does not include, make this risk very likely. To the extent that a mutual fund seeks to overcome tracking risk through using derivatives, it increases its exposure to derivatives risk.

Inflation risk Over time, low-risk income investments may fail to keep pace with inflation, making them potentially a poor choice for long-term investing.

Interest rate risk – bond investments The market value of bonds typically goes down when interest rates go up. Longer-term bonds are generally more sensitive to interest rate changes, meaning they may suffer deeper declines in value than shorter-term bonds.

Interest rate risk – money market investments During periods of rising interest rates, money market fund yields may tend to be lower than prevailing market rates.

Investment grade securities risk While all securities rated at least Baa (by Moody's) or BBB (by Standard & Poor's) are considered investment-grade, those rated at the lower end of this spectrum may be somewhat riskier because they are regarded as having only an adequate capacity to pay principal and interest, and are considered to lack outstanding investment characteristics. Ratings are only the opinions of the companies issuing them and are not guarantees as to quality or an assurance of performance or quality of such investment.

Liquidity risk A fund or underlying fund may be unable to pay redemption proceeds within the time period stated in this prospectus because of unusual market conditions, an unusually high volume of redemption requests, or other reasons.

Manager risk The investment adviser of a fund or underlying fund may make investment decisions that fail to produce the intended result. These may include decisions about how to allocate assets among different underlying funds, when to rebalance a fund, when to change underlying fund allocations, or which securities to buy and sell and when.

Market risk The market values of stocks, bonds, and other securities may go up and down as securities markets react to economic, political, geographic, or regulatory factors. These factors may affect the entire market or just certain securities, industry segments, or economic sectors. In general, stock prices have fluctuated more than bond prices over longer time periods. Price changes may be temporary or may last for extended periods.

Master-feeder risk A master fund's performance could be hurt by large cash inflows or outflows created by one of its feeder funds.

Money market fund risk Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it may not succeed in doing so and you might lose money by investing in a money market fund.

Prepayment and extension risks Because market prices for certain debt securities (such as mortgage-backed securities, asset-backed securities, and callable bonds) are based on expectations of how interest rates will behave, any unexpected behavior of interest rates can hurt performance for owners of these securities. For example, a drop in interest rates may mean a security is paid off earlier than expected, and the proceeds can only be reinvested at a lower rate. A rise in interest rates can mean that securities are paid off later than expected, leaving investors locked into below-market rates.

Real estate investment trust risk The value of a REIT can be hurt by economic downturns or by changes in real estate values, rents, property taxes, interest rates, tax treatment, regulations, or the legal structure of the REIT. Any stock issued by a REIT is also subject to stock market risk (see below).

Rebalancing risk A fund may temporarily stray from its target mix among the underlying funds and not perform as well as if it had invested according to its target mix at all times.

Repurchase agreement risk A repurchase agreement allows a fund or underlying fund to buy securities with the understanding that the seller will buy them back with interest at a later date. If the seller is unable to honor a commitment to repurchase securities, the fund or underlying fund could lose money.

Small company risk The stocks of smaller, less well-known companies are generally more volatile than large company stocks and may perform differently from the market as a whole. Compared to larger companies, small companies may be poorly understood by investors, have less access to cash and credit, and may be heavily dependent on a limited number of products, services, or technologies.

Small fund risk A fund might not reach or sustain an economically viable size, in which case fund management may determine to liquidate the fund at a time that may not be opportune for shareholders.

Stock market risk The value of stocks may decline in response to developments affecting a particular issuer, the issuing company's industry, or general economic conditions. Price changes in stocks may be temporary or may last for an extended period of time.

U.S. government securities risk Although securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, securities issued by an agency or instrumentality of the U.S. government may not be. No assurance can be given that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law.

Variable and floating rate securities risk Variable rate securities readjust their interest rates on set dates. Floating rate securities readjust their interest rates whenever a particular interest rate changes. Interest rates on these securities are normally tied to, and are a percentage of, a widely recognized interest rate, such as the yield on 90-day U.S. Treasury bills or the prime rate of a bank. These securities have interest rate and credit risk. They also may have liquidity risk because it is not always easy to sell these instruments if the issuer defaults or a fund or underlying fund cannot exercise "demand" rights. Demand rights, which are normally a feature of these investments, allow an investor to demand that the issuer repay immediately all unpaid interest and return the principal, the original investment amount.

Who's Who

Entities with Business Responsibilities

Trustees

The Board of Trustees (Board) for the AARP Funds oversees each fund and its investment strategies, and approves each fund's agreements with its investment adviser and other service providers.

Investment Advisers and Sub-advisers

AARP Financial Incorporated (AARP Financial)
Two Highwood Drive, 2nd Floor
Tewksbury, MA 01876

SSgA Funds Management, Inc. (SSgA FM)
State Street Financial Center
One Lincoln Street
Boston, MA 02111

AARP Financial provides the overall investment program for each fund and manages each fund's investment activities. This includes allocating assets to the underlying funds, deciding when to rebalance these allocations, and overseeing any sub-advisers. AARP Financial is also the investment adviser of all underlying funds except the Underlying Money Market Fund.

AARP Financial is a wholly owned subsidiary of AARP Services, Inc., which in turn is a wholly owned subsidiary of AARP. AARP is a nonprofit membership organization dedicated to addressing the needs and interests of people age 50 and over in the United States. Founded in 1958, AARP delivers information, advocacy, and services to over 40 million members to advance a society in which everyone ages with dignity and purpose.

SSgA FM serves as the investment sub-adviser for all of the funds except the Money Market Fund. In this capacity, SSgA FM provides AARP Financial with asset allocation advice and rebalances the funds' assets under AARP Financial's direction.

For the Underlying Money Market Fund, SSgA FM serves as the investment adviser and is responsible for the day-to-day investment of assets. For all other

underlying funds, SSgA FM is the investment sub-adviser. SSgA FM manages each underlying fund's day-to-day investments.

SSgA FM manages over \$141 billion in assets and is a wholly owned subsidiary of State Street Corporation. State Street Global Advisors (SSgA) is the investment management arm of State Street Corporation and includes SSgA FM. SSgA provides global investment management services from offices in North America, South America, Europe, Asia, Australia, and the Middle East. SSgA manages approximately \$1.5 trillion in assets (all figures as of June 30, 2009).

Except for the Money Market Fund, each of the funds pays AARP Financial 0.01% of its average daily net assets annually to compensate AARP Financial for its advisory services to the fund. Each underlying fund (except the Underlying Money Market Fund) pays AARP Financial 0.05% of its average daily net assets annually to compensate AARP Financial for its advisory services to the underlying fund. AARP Financial pays SSgA FM for its sub-advisory services out of these fees.

The Money Market Fund has entered into an investment advisory agreement with AARP Financial that does not provide an investment advisory fee to AARP Financial while the Money Market Fund is invested in a master-feeder structure. If the Money Market Fund were not invested in a master-feeder structure, AARP Financial would receive an investment advisory fee, at an annual rate of 0.10% of average daily net assets.

The basis for approving the investment advisory and sub-advisory agreements with AARP Financial and SSgA FM is discussed in the funds' semi-annual report to shareholders for the period ended December 31, 2008.

The funds and AARP Financial have received an SEC order that allows AARP Financial to have the ultimate responsibility, subject to Board oversight, to oversee sub-advisers and recommend their hiring, termination, and replacement, as well as change investment sub-advisory agreements, without shareholder approval. The effect of the order is to relieve the funds of legal requirements to obtain shareholder approval of these types of changes.

Administrator

AARP Financial provides administrative services to the funds, such as overseeing each fund's operations and other service providers.

Sub-Administrator, Custodian, and Transfer Agent

As sub-administrator, State Street Bank and Trust Company (State Street) assists the administrator in providing administrative services. As custodian, State Street holds the funds' assets, prices the funds' shares, and oversees payment of dividend and capital gain distributions to shareholders. As transfer agent, State Street handles the opening of new accounts, processes orders to buy or sell shares, provides recordkeeping, and sends account statements and transaction confirmations to investors.

Distributor

ALPS Distributors, Inc. handles distribution, sales and marketing activities for the funds.

Portfolio Management Team

The following information applies to all funds except the Underlying Money Market Fund (the individual managers of money market funds are not listed in a prospectus).

Richard M. Hisey *Chartered Financial Analyst*

- President and Chief Investment Officer, AARP Financial
- President, AARP Funds
- Began investment career in 1983
- Joined AARP Financial in 2006

As the funds' portfolio manager, Mr. Hisey is responsible for implementing the funds' overall investment program, determining if and when to add other securities and at what levels, determining when to rebalance the funds (based on the advice of SSgA FM), and overseeing and monitoring the activities of SSgA FM.

Previously, Mr. Hisey served as Treasurer for AARP Funds. Prior to joining AARP Financial, Mr. Hisey was Executive Vice President and Chief Investment

Officer of Cole Management Incorporated, a venture capital firm focused on Russia. Before that, he was Treasurer and Chief Financial Officer of the MFS Group of Mutual Funds. He has also held senior positions at The Bank of New York and Lexington Global Asset Managers, Inc. (now ING/Reliastar).

Mr. Hisey holds a BA and an MBA from the University of Connecticut.

Daniel Farley *Chartered Financial Analyst*

- Managing Director, SSgA
- Principal, SSgA FM
- Head, SSgA U.S. Asset Allocation team
- Began investment career in 1992
- Joined SSgA in 1992

At SSgA, Mr. Farley is responsible for strategic/tactical asset allocation and exposure management clients in the U.S. He leads the team that handles SSgA's responsibilities for the AARP Funds.

Mr. Farley's previous responsibilities at SSgA include serving as a senior portfolio manager in Global Asset Allocation, assisting clients in the development of strategic investment policy, managing tactical and static asset allocation portfolios, and leading the investment team for the firm's Charitable Asset Management group.

Ola Folarin *Chartered Financial Analyst*

- Principal, SSgA and SSgA FM
- Portfolio Manager, SSgA Global Asset Allocation team
- Began investment career in 2003
- Joined SSgA in 2007

At SSgA, Mr. Folarin's responsibilities include managing strategic and tactical asset allocation portfolios. He also helps investors to manage their exposures to various asset class indices or hedge their foreign exchange exposures. Previously, Mr. Folarin worked as an Associate Portfolio Manager at ProFunds Advisors where he managed a complex of leveraged and short mutual funds that invest strictly in derivative instruments. Before ProFunds, he worked as an equity analyst for PNC Advisors.

Michael O. Martel

- Vice President, SSgA and SSgA FM
- Senior Portfolio Manager, SSgA U.S. Global Asset Allocation team
- Began investment career in 1992
- Joined SSgA in 1994

At SSgA, Mr. Martel is responsible for developing and implementing multi-asset class solutions for clients including strategic and tactical global balanced funds, equitization and overlay strategies, and country selection portfolios. He also oversees development of proprietary trading systems and assists in ongoing research. Previously, Mr. Martel was with SSgA's Global Structured Products Group, specializing in developed and emerging market index strategies and the valuation of global derivatives. Prior to joining SSgA, Mr. Martel worked for the Mutual Funds Division of State Street Corporation.

Eduardo A. Borges

- Principal, SSgA and SSgA FM
- Portfolio Manager, SSgA U.S. Global Asset Allocation team
- Began investment career in 1998
- Joined SSgA in 2000

At SSgA, Mr. Borges manages active and passive portfolios for domestic and international strategies. He was previously an Operations Associate supporting the Investor Solutions Group and the Global Fundamental Strategies Group. Prior to joining SSgA, Mr. Borges worked for Putnam Investments, holding positions as Senior Cash Specialist and Portfolio Accountant.

For the portfolio management team of the underlying funds, see the funds' *Statement of Additional Information*.

Payments for distribution and services

Each fund pays a distribution and shareholder services fee to ALPS Distributors, Inc., which is not affiliated with AARP Funds, AARP Financial, or SSgA FM. This fee covers the sale and distribution of a fund's shares and servicing activities for shareholders.

This so-called 12b-1 fee (named after Rule 12b-1 under the Investment Company Act of 1940) may be as much as 0.20% annually of a fund's average daily net assets. Of this amount, ALPS Distributors, Inc. in turn pays out approximately:

- 0.14% of a fund's net assets to AARP Financial (under a Services Agreement) for helping ALPS Distributors, Inc. with distribution and shareholder servicing activities, including creating advertising and marketing materials, educating call center personnel, and providing services to investors.
- 0.05% of a fund's net assets to AARP (under a Trademark Licensing Agreement) for the right to use the AARP name in the funds' names and for access to AARP's membership list.

These fees will increase the cost of your investment because they are paid out of fund assets on an ongoing basis. Over time, they may cost you more than if you paid an up-front sales charge.

While AARP has licensed the use of its name to AARP Funds and endorses the services provided by AARP Financial, AARP cannot recommend that you or any specific individual should purchase shares of a particular fund. AARP is not an investment adviser or broker-dealer.

Financial Highlights

The table below and those on the following pages are intended to help you understand the financial performance of the funds. Certain information reflects financial results for a single fund share. “Total return” represents the rate that an investor would have earned or lost on an investment in each fund, assuming reinvestment of all dividends and capital gains distributions.

The information in these tables has been audited by KPMG LLP, the independent registered public accounting firm for AARP Funds. KPMG LLP’s report, along with the financial statements for these funds, is included in the funds’ annual report, is incorporated by reference into (and is legally considered part of) the Statement of Additional Information, and is available upon request.

For a share outstanding throughout each period indicated

AARP Aggressive Fund	Year ended 6/30/09	Year ended 6/30/08	Year ended 6/30/07	Period ended 6/30/06 ¹
Net asset value, beginning of period	\$10.46	\$11.68	\$10.17	\$10.00
Income from investment operations:				
Net investment income	0.21	0.29	0.24	0.09
Net realized and unrealized gain (loss) on affiliated investments	(2.19)	(1.15)	1.52	0.17
Total from investment operations	(1.98)	(0.86)	1.76	0.26
Less distributions:				
From net investment income	(0.21)	(0.29)	(0.25)	(0.09)
From net realized gains on investments	(0.09)	(0.07)	(0.00) ²	—
Total distributions	(0.30)	(0.36)	(0.25)	(0.09)
Net asset value, end of period	\$8.18	\$10.46	\$11.68	\$10.17
Total return ³	(18.81)%	(7.49)%	17.41%	2.60%
Ratios to average net assets:				
Net expenses ⁴	0.24%	0.24%	0.24%	0.24% ⁵
Net investment income	2.68%	2.47%	2.55%	3.36% ⁵
Expense waiver/reimbursement ⁶	(1.24)%	(1.09)%	(2.00)%	(11.22) ⁵
Supplemental data:				
Net assets, at end of period (000 omitted)	\$23,270	\$25,044	\$20,222	\$6,454
Portfolio turnover	36%	22%	12%	7%

1 For the period from December 30, 2005 (commencement of operations) to June 30, 2006.

2 Represents less than \$0.01.

3 Total returns for periods of less than one year are not annualized.

4 In addition to the fees and expenses that the fund bears directly, the fund indirectly bears a pro-rata share of the fees and expenses of the underlying funds in which the fund invests. The net expense ratio shown does not include these indirect expenses. If included, the net expense ratio for the fund would be 0.50%.

5 Computed on an annualized basis.

6 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Financial highlights For a share outstanding throughout each period indicated

AARP Moderate Fund	Year ended 6/30/09	Year ended 6/30/08	Year ended 6/30/07	Period ended 6/30/06 ¹
Net asset value, beginning of period	\$10.32	\$11.06	\$10.04	\$10.00
Income from investment operations:				
Net investment income	0.28	0.34	0.31	0.10
Net realized and unrealized gain (loss) on affiliated investments	(1.37)	(0.64)	1.02	0.04
Total from investment operations	(1.09)	(0.30)	1.33	0.14
Less distributions:				
From net investment income	(0.28)	(0.34)	(0.31)	(0.10)
From net realized gains on investments	(0.07)	(0.10)	(0.00) ²	—
Total distributions	(0.35)	(0.44)	(0.31)	(0.10)
Net asset value, end of period	\$8.88	\$10.32	\$11.06	\$10.04
Total return ³	(10.48)%	(2.79)%	13.32%	1.44%
Ratios to average net assets:				
Net expenses ⁴	0.24%	0.24%	0.24%	0.24% ⁵
Net investment income	3.20%	3.21%	3.27%	4.58% ⁵
Expense waiver/reimbursement ⁶	(0.70)%	(0.68)%	(1.11)%	(6.82) ⁵
Supplemental data:				
Net assets, at end of period (000 omitted)	\$38,951	\$42,324	\$31,925	\$13,133
Portfolio turnover	43%	24%	13%	5%

1 For the period from December 30, 2005 (commencement of operations) to June 30, 2006.

2 Represents less than \$0.01.

3 Total returns for periods of less than one year are not annualized.

4 In addition to the fees and expenses that the fund bears directly, the fund indirectly bears a pro-rata share of the fees and expenses of the underlying funds in which the fund invests. The net expense ratio shown does not include these indirect expenses. If included, the net expense ratio for the fund would be 0.50%.

5 Computed on an annualized basis.

6 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Financial highlights For a share outstanding throughout each period indicated

AARP Conservative Fund	Year ended 6/30/09	Year ended 6/30/08	Year ended 6/30/07	Period ended 6/30/06 ¹
Net asset value, beginning of period	\$10.12	\$10.38	\$9.86	\$10.00
Income from investment operations:				
Net investment income	0.34	0.40	0.39	0.16
Net realized and unrealized gain (loss) on affiliated investments	(0.58)	(0.19)	0.53	(0.14)
Total from investment operations	(0.24)	0.21	0.92	0.02
Less distributions:				
From net investment income	(0.34)	(0.40)	(0.40)	(0.16)
From net realized gains on investments	(0.03)	(0.07)	(0.00) ²	—
Total distributions	(0.37)	(0.47)	(0.40)	(0.16)
Net asset value, end of period	\$9.51	\$10.12	\$10.38	\$9.86
Total return ³	(2.19)%	2.04%	9.40%	0.24%
Ratios to average net assets:				
Net expenses ⁴	0.25%	0.25%	0.25%	0.24% ⁵
Net investment income	3.72%	3.94%	4.01%	5.31% ⁵
Expense waiver/reimbursement ⁶	(1.16)%	(1.34)%	(2.16)%	(11.00) ⁵
Supplemental data:				
Net assets, at end of period (000 omitted)	\$18,826	\$18,065	\$11,622	\$6,581
Portfolio turnover	48%	19%	17%	7%

1 For the period from December 30, 2005 (commencement of operations) to June 30, 2006.

2 Represents less than \$0.01.

3 Total returns for periods of less than one year are not annualized.

4 In addition to the fees and expenses that the fund bears directly, the fund indirectly bears a pro-rata share of the fees and expenses of the underlying funds in which the fund invests. The net expense ratio shown does not include these indirect expenses. If included, the net expense ratio for the fund would be 0.50%.

5 Computed on an annualized basis.

6 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Financial highlights For a share outstanding throughout each period indicated

	AARP Income Fund			AARP Money Market Fund		
	Year ended 6/30/09 ¹	Year ended 6/30/08 ¹	Period ended 6/30/07 ^{1,2}	Year ended 6/30/09 ¹	Year ended 6/30/08 ¹	Period ended 6/30/07 ¹
Net asset value, beginning of period	\$10.02	\$9.82	\$10.00	\$1.00	\$1.00	\$1.00
Income from investment operations:						
Net investment income	0.44	0.46	0.36	0.01	0.04	0.05
Net realized and unrealized gain (loss) on affiliated investments	0.09	0.20	(0.18)	–	–	–
Total from investment operations	0.53	0.66	0.18	0.01	0.04	0.05
Less distributions:						
From net investment income	(0.44)	(0.46)	(0.36)	(0.01)	(0.04)	(0.05)
From net realized gains on investments	(0.02)	0.00 ³	–	–	–	–
Total distributions	(0.46)	(0.46)	(0.36)	(0.01)	(0.04)	(0.05)
Net asset value, end of period	\$10.09	\$10.02	\$9.82	\$1.00	\$1.00	\$1.00
Total return ⁴	5.38%	6.83%	1.78%	1.34%	4.09%	5.11%
Ratios to average net assets:						
Net expenses	0.26% ⁵	0.26% ⁵	0.25% ^{5,6}	0.30% ⁷	0.30% ⁷	0.33% ⁷
Net investment income	4.48%	4.71%	5.36% ⁶	1.40%	3.77%	5.06%
Expense waiver/reimbursement ⁸	(1.65)%	(4.38)%	(21.21)% ⁶	(0.55)%	(0.53)%	(3.91)%
Supplemental data:						
Net assets, at end of period (000 omitted)	\$13,482	\$6,450	\$2,338	\$51,903	\$77,076	\$35,742
Portfolio turnover	23%	52%	30%	–	–	–

1 The per share amounts and percentages include the fund's proportionate share of income, expenses and net realized and unrealized gains or losses of the State Street Money Market Portfolio.

2 For the period from September 29, 2006 (commencement of operations) to June 30, 2007.

3 Represents less than \$0.01.

4 Total returns for periods of less than one year are not annualized.

5 In addition to the fees and expenses that the funds bear directly, the funds indirectly bear a pro-rata share of the fees and expenses of the underlying funds in which the funds invest. The net expense ratio shown does not include these indirect expenses. If included, the net expense ratio for each fund would be 0.50%.

6 Computed on an annualized basis.

7 Effective March 1, 2007, AARP Financial has agreed contractually to waive fees and reimburse expenses to keep the net total operating expenses of the AARP Money Market Fund, including its pro-rata allocation of expenses from the State Street Money Market Portfolio, at 0.30% of average daily net assets through November 1, 2010.

8 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Your Account

Buying and Selling Shares

How to Open a New Account

Key Considerations

- To open an account, you need to fill out a New Account Application. Applications are available at www.aarpfinancial.com (choose the “Applications and Forms” link under the “Resources” tab). Alternatively, you can request that an application be mailed to you by calling 1-800-958-6457 (select option 1).
- If opening an account with a single investment, the minimum investment is \$100.
- If opening an account with an Automatic Investment Program, the minimum is just \$25.
- When you invest in the Money Market Fund, you will begin accruing dividends on the business day following the business day your purchase request is received in good order.
- You cannot open a new account by wire.
- *See Policies about buying shares on page 30.*

Online

- Confirm that your bank or credit union is a member of the Automated Clearing House (ACH) system.
- Go to www.aarpfinancial.com (select the “Open an Account” button).
- Follow the instructions for creating a new account.

By mail

- Get a New Account Application (see Key Considerations above). Be sure to choose the right application for the type of account you want to open.
- Complete a separate application for each type of account. All account owners must sign the application.
- Enclose a check made out to “AARP Funds” for your initial investment.
- Send by regular mail or overnight delivery to the appropriate address listed on page 26.

By Automatic Investment Program – Direct from Your Bank Account

- Confirm that your bank or credit union is a member of the Automated Clearing House (ACH) system.
- Get a New Account Application (see Key Considerations above). Be sure to choose the right application for the type of account you want to open.
- Complete the application, including the Automatic Investment Program sections, and send it by regular mail or overnight delivery to the appropriate address listed on page 26.

By Payroll Deduction – Direct from Your Paycheck

- Confirm that your employer offers this service.
- Get a New Account Application (see Key Considerations on the preceding page). Be sure to choose the right application for the type of account you want to open.
- Download a Payroll Deduction Form at www.aarpfinancial.com (choose the “Applications and Forms” link under the “Resources” tab and select “Account Maintenance and Service Forms”). Alternatively, you can request that a Payroll Deduction Form be mailed to you by calling 1-800-958-6457 (select option 2).
- Complete the application and the Payroll Deduction Form, and send them by regular mail or overnight delivery to the appropriate address listed at right.
- Provide your employer with a copy of the Payroll Deduction Form.

Contact Information for Buying Shares**By regular mail**

AARP Funds
P.O. Box 8035
Boston, MA 02266-8035

By overnight mail

AARP Funds
c/o BFDS
30 Dan Road
Canton, MA 02021

By phone

1-800-958-6457, option 2,
service representative

Online

www.aarpfinancial.com

Types of Accounts Available

Individual or Joint Ownership Individual accounts must be registered to one person. Joint accounts can have two or more owners and provide for rights of survivorship. On individual or joint accounts, filling out a Transfer on Death (TOD) form, in addition to your account application, will allow your account’s assets to pass directly to a beneficiary and avoid probate. Forms are available from Shareholder Services and online.

Retirement A qualified retirement account allows you to defer taxes on investment income and capital gains. Your contributions may also be tax-deductible. Please consult your tax advisor for details about tax advantages or consequences. Types of retirement accounts available at AARP include:

- Traditional IRA
- Roth IRA
- Rollover IRA
- Simplified Employee Pension IRA (SEP-IRA)

Gift or Transfer to a Minor (UGMA, UTMA) Gift or transfer accounts let you give money to a minor for any purpose. The gift is irrevocable and the minor gains control of the account once he or she reaches the age of majority.

Coverdell Education Savings Account Formerly called an Education IRA, this account allows you to earn tax-deferred investment income and capital gains that may be withdrawn tax-free for qualified education expenses.

Trust For assets held in a trust.

Business Entity Allows an authorized person of a corporation, partnership, or other entity to establish a business account.

How to Add Money to an Account

Key Considerations

- Additional investments to an existing account must be for at least \$25. This includes electronic transfer payments for orders placed online or by phone.
- Before investing online, by phone, or through the Automatic Investment Program, you need to have already established this service. To establish this service, fill out the appropriate sections of the Shareholder Services Form which is available at www.aarpfinancial.com (choose the "Applications and Forms" link under the "Resources" tab and select "Account Maintenance and Service Forms"). Alternatively, you can request that a Shareholder Services Form be mailed to you by calling 1-800-958-6457 (select option 2).

Online

- Set up your account for investing online (see Key Considerations above).
- Go to www.aarpfinancial.com (select the "Log In" button).
- Access your account. Follow the instructions for buying additional shares.
- Investments will be debited from your bank account and sent via electronic transfer.

By phone

- Set up your account for investing by phone (see Key Considerations above).
- Place your order using our 24-hour Automated Response System by calling 1-800-958-6457 (select option 3). Follow the instructions for accessing your account and entering your order.
- Place your order through a service representative during business hours by calling 1-800-958-6457 (select option 2). Provide the service representative with your order information.

By mail

- Use the Additional Investments slip that comes with your quarterly statement, or write a letter of instruction with the account owner name(s), account number, and fund name, signed exactly as shown in the account registration.
- Enclose a check made out to "AARP Funds" for the amount you want to add to your account.
- Send by regular mail or overnight delivery to the appropriate address listed on page 26.

By wire

- Instruct your bank to wire your investment to:
State Street Bank & Trust Co.
225 Franklin Street
Boston, MA 02120
ABA # 011000028
DDA# 9905-684-8
FBO: AARP Funds
- Also include the following information:
 - Your account number
 - The name(s) of account owner(s)
 - The tax ID number
 - The fund name
 - The name and address of the financial institution wiring the money

By Automatic Investment Program – Direct from Your Bank Account

- Confirm that your bank or credit union is a member of the Automated Clearing House (ACH) system.
- Set up your account for investing through the Automatic Investment Program (see Key Considerations above).

By Payroll Deduction – Direct from Your Paycheck

- Confirm that your employer offers this service.
- Download a Payroll Deduction Form at www.aarpfinancial.com (choose the "Applications and Forms" link under the "Resources" tab and select "Account Maintenance and Service Forms"). Alternatively, you can request that a Payroll Deduction Form be mailed to you by calling 1-800-958-6457 (select option 2).
- Complete the form and send it by regular mail or overnight delivery to the appropriate address listed on page 26.
- Provide your employer with a copy of the form.

How to Exchange Between Funds

Key Considerations

- You may exchange shares of any fund for shares of any other fund at no charge.
- For any order to exchange shares, you will need to give us the following information:
 - account owner(s)
 - tax ID number
 - account number
 - the dollar amount or the number of shares
- Because an exchange is treated as a sale for tax purposes, there may be a capital gain or loss that affects your taxes (does not apply to IRAs).
- Note that the name of the account owner(s) and tax identification number must be the same on the two accounts involved in the exchange.
- For share exchanges in IRA accounts, an IRA custodial fee will be charged to both the old and new accounts.
- See *Policies about exchanging and selling shares* on page 30.

Online

- Go to www.aarpfinancial.com (select the “Log In” button).
- Access your account. Follow the instructions for exchanging shares.

By phone

- Place your order using our 24-hour Automated Response System by calling 1-800-958-6457 (select option 3). Follow the instructions for accessing your account and entering your order.
- Place your order through a service representative during business hours by calling 1-800-958-6457 (select option 2). Provide the service representative with your order information.

By mail

- Write a letter of instruction that includes all required information (see Key Considerations above).
- Make sure all registered owners sign the letter exactly as shown in the account registration.
- Send by regular mail or overnight delivery to the appropriate address listed on page 26.

How to Take Money Out of an Account

Key Considerations

- For any order to sell shares, you will need to give us the following information:
 - account owner(s)
 - tax ID number
 - account number
 - the dollar amount or the number of shares
- Phone orders to sell shares are limited to \$50,000 worth of shares per fund per account per day.
- In certain cases, such as orders to sell more than \$50,000 worth of shares, you will need to place your order by mail and it will need to have a Medallion signature guarantee (see page 31).
- Before placing orders to sell online or through the Systematic Withdrawal Plan, or any phone orders that you want redeemed via wire or electronic transfer, you must already have established this service. To establish this service, fill out the appropriate sections of the Shareholder Services Form which is available at www.aarp-financial.com (choose the “Applications and Forms” link under the “Resources” tab and select “Account Maintenance and Service Forms”). Alternatively, you can request that a Shareholder Services Form be mailed to you by calling 1-800-958-6457 (select option 2).
- See *Policies about exchanging and selling shares* on page 30.

Online

- Set up your account for placing orders to sell online (see Key Considerations above).
- Go to www.aarpfinancial.com (select the “Log In” button).
- Access your account. Follow the instructions for selling shares.
- Investments will be sent to your bank account via electronic transfer.

By phone

- If you want to receive proceeds by wire or electronic transfer, set up your account for this feature (see Key Considerations above). If you do not have this feature in place, we will send a check to the address of record on the account. Wire transfers can only be requested through a service representative.
- Place your order using our 24-hour Automated Response System by calling 1-800-958-6457 (select option 3). Follow the instructions for accessing your account and entering your order.
- Place your order through a service representative during business hours by calling 1-800-958-6457 (select option 2). Provide the service representative with your order information.

By mail

- Write a letter of instruction that includes all required information (see Key Considerations above).
- Make sure all registered owners sign the letter exactly as shown in the account registration.
- Send by regular mail or overnight delivery to the appropriate address listed on page 26.

- We will send a check to the address of record on the account.

By Systematic Withdrawal Program

- Confirm that your bank or credit union is a member of the Automated Clearing House (ACH) system.
- Set up your account for Systematic Withdrawal Plan (see Key Considerations above).
- At the time of each requested withdrawal, we will either send a check to the address of record or an electronic transfer to your bank account, depending on how you have set up the service.

By checkwriting (Money Market Fund only)

- Download a Checkwriting Authorization Form at www.aarpfinancial.com (choose the “Applications and Forms” link under the “Resources” tab and select “Account Maintenance and Service Forms”). Alternatively, you can request that a Checkwriting Signature Form be mailed to you by calling 1-800-958-6457 (select option 2).
- Complete the form and send it by regular mail or overnight delivery to the appropriate address listed on page 26. Note that if you are adding this service to an existing account, you must obtain a Medallion signature guarantee. See page 31.
- You may begin writing checks as soon as your checks arrive in the mail. There is currently no fee for checkwriting and no limit on the number of checks you may write, but each check must be for at least \$250. Note that you may not close your Money Market Fund account by writing a check.

Account and Transaction Policies

Transaction Policies

Charges and fees

The only costs associated with the funds are those described earlier in the Fund Expenses section, and certain incidental fees associated with specific services or accounts. These fees include:

- A \$10 annual maintenance fee (per fund) for each IRA and Coverdell Education Savings Account. Effective January 1, 2010, the annual maintenance fee will increase to \$15.
- A \$5 fee for each wire we send for you. We do not charge you to receive a wire, although your bank may charge you to receive a wire from us.

General policies about transactions

- Any order to buy, exchange, or sell shares must be complete and received in good order by the servicing agent for a fund to act on it.
- If your account has more than one account owner or person authorized to make transactions for the account, we will accept telephone or online instructions from any of them.
- Any order request received after a fund's close of business is considered to have been received on the next business day.
- We do not accept requests to hold a transaction for a future date.
- If you invest in a fund through an intermediary (such as a personal financial adviser), the intermediary may have different policies and fees. We suggest you read all materials from the intermediary carefully to understand the policies and fees that may apply.
- We do not pay interest on uncashed checks. You should cash distribution checks promptly.
- Wires cannot be sent on days when the Federal Reserve is closed (even if the funds are open for business). This includes Columbus Day and Veteran's Day. Wire orders to buy or sell shares

that are placed on such days will be processed on the next day that both the funds and the Federal Reserve are open.

- If you have difficulty contacting us by phone or online, we suggest that you send your signed transaction request by regular mail or overnight delivery. Use the appropriate address found on page 26.

Policies about buying shares

- When opening new accounts, we accept ONLY electronic transfers and checks (including bank drafts and cashiers checks) in U.S. dollars, drawn on U.S. banks.
- Sorry, but we DO NOT accept:
 - starter checks
 - cash
 - travelers checks
 - money orders
 - credit or debit cards
 - third-party checks except IRA rollover checks
- You cannot use a business check to buy shares for a non-business account.
- If you buy shares by check or electronic transfer, we may delay the payment of redemption proceeds for up to 15 days, while these transactions clear through the banking system.
- We reserve the right to reject any offer to buy shares if we believe that doing so is in the best interests of a fund's shareholders.

Policies about exchanging and selling shares

- By signing up for "electronic transactions," you have a choice as to how your money is sent to your bank account, either as an electronic transfer or wire transfer. With a wire transfer, the money is received by your bank as "good funds," but you may incur additional charges. With an electronic transfer, there may be a delay in the accessibility of your funds, but there are no additional charges.

- To receive proceeds by wire transfer or electronic transfer, you must have established this feature on your account before initiating the redemption. Wire proceeds are normally sent the next business day after we receive your order in good form, and are available for immediate use.
- Although by law we may take up to seven days to send out your sale proceeds, with a check or an electronic transfer, proceeds are normally sent on the next business day after we accept your order. Note that there may be a delay of up to seven days between when the receiving bank posts the money to your account and when you are able to draw on the money.
- Checks for proceeds are normally sent by regular mail. If you like, you can request overnight delivery; the delivery charges will be deducted from the redemption proceeds. Standard charges will apply.
- With regard to checkwriting, the Money Market Fund reserves the right to charge for, or to terminate, this service at any time. When a check is written on a Money Market Fund account, dividends and distributions will continue to be paid up to the day the check is presented for payment.

Transactions that require a Medallion signature guarantee

A Medallion signature guarantee provides you and the funds with an additional level of protection against the possibility of fraud on your account. We require a Medallion signature guarantee in the following circumstances:

- Orders to sell more than \$50,000 worth of shares.
- When you want the sale proceeds sent to an address or bank that is not the address or bank of record for the account, or that has been the address or bank of record for less than 30 days.
- When you want the sale proceeds made payable to someone other than the registered account owners.
- When you want to receive the sale proceeds by wire transfer or electronic transfer, but this account privilege has not been activated in advance of your sell order.
- When you want to receive the sale proceeds by wire transfer or electronic transfer to an

account that is not listed as the account of record for transfers.

You can get a Medallion signature guarantee from a financial institution, broker, dealer or clearing agency that is a participant in any of these programs:

- Securities Transfer Agents Medallion Program
- Stock Exchanges Medallion Program
- New York Stock Exchange Medallion Signature Program

You cannot get a Medallion signature guarantee from a notary public nor can a notarization substitute for one.

Restrictions on excessive trading

All funds except the Money Market Fund The funds do not accommodate excessive trading. Whether motivated by so-called market timing techniques or by other purposes, excessive trading is inconsistent with the funds' investment goals and has the potential to interfere with efficient fund management and to raise costs for shareholders.

Consistent with policies approved by the Board of Trustees, we monitor large trades in fund shares as well as "round trip" trades (purchases followed by redemptions or exchanges). If we find any behavior that, in our view, constitutes inappropriate or excessive trading, we may take any of the following steps with the shareholders we believe are responsible:

- issue a warning
- restrict the use of convenient methods to submit redemption or exchange orders (such as by internet or phone)
- accept only orders to sell shares

We may take these steps at any time, without any obligation to provide prior notice (although we will, when it is reasonable to do so, attempt to give prior notice), and without any liability for any consequences that may arise, such as an uncompleted exchange.

With omnibus accounts (accounts held by an intermediary on behalf of many individual clients), we may take any of the following steps:

- treat the omnibus account as a single investor and limit its trades accordingly

- require the intermediary to provide information about trading orders on accounts within the omnibus account
- instruct the intermediary to take appropriate action against individual clients

While the funds intend to be vigorous in their efforts, excessive trading can sometimes be difficult to detect. The funds therefore cannot guarantee that their efforts will be successful in eliminating such activities and their detrimental effects.

Money Market Fund Because the fund is intended to serve as a liquid, short-term investment, it has no specific limits on trading frequency. However, trading activity in Money Market Fund shares will be monitored as part of detection and enforcement efforts associated with the other funds' excessive trading policies.

Share Price Policies

How a fund's share price is calculated

The price at which you buy or sell shares is the net asset value per share (NAV). Each fund's NAV is calculated every business day as of the close of regular trading on the New York Stock Exchange (NYSE) — normally 4:00 PM Eastern time, but sometimes earlier. Each fund's NAV is calculated this way:

$$\begin{array}{l} \text{Net assets} \\ \text{(total assets} \\ \text{minus liabilities)} \end{array} \div \begin{array}{l} \text{Number of} \\ \text{shares} \\ \text{outstanding} \end{array} = \text{NAV}$$

To the extent that a fund's assets consist of investments in underlying funds, the fund will calculate its share price using the NAV of each applicable underlying fund in calculating its own NAV.

The underlying funds (other than the Underlying Money Market Fund) calculate their share price using the same formula as the funds. Bonds in an underlying fund generally are valued using quotes from bond dealers or bond pricing services. Stocks in an underlying fund generally are valued at their market price on the primary exchange where they are traded.

In order to help it meet its goal of maintaining a steady \$1.00 NAV, the Underlying Money Market Fund uses the amortized cost valuation method to value its portfolio instruments. In this method, an instrument is initially valued at its actual cost, and over time its value is assumed to move in a straight line toward its value at maturity, regardless of actual market value.

The Money Market Fund and/or the Underlying Money Market Fund may participate in current or future U.S. Government-related programs, such as programs of the Department of the Treasury and the Federal Reserve Board, designed to provide liquidity or other benefits to money market funds and their shareholders. These programs may involve conditions and costs.

Fair-value pricing

If the market price for a given security is not readily available, or if there is reason to believe that the most recent market price does not accurately reflect current value, the underlying fund will determine a fair value for it, using a method approved by the Board of Trustees of the underlying fund. For example, an underlying fund might need to determine the fair value of a security if an event that would affect market pricing occurs after trading in that security is closed for the day, but before 4:00 PM Eastern time, when NAV is calculated. This occurs most frequently with international stocks that are traded on exchanges that close many hours earlier.

Because fair-value pricing involves judgment, a fair-value price will generally differ from the last market price or quote, and potentially also from the next market price or quote to become available. Because of this, a NAV calculated using fair-value prices may be higher or lower than what it would have been if the last reported or next-available market price or quote been used.

The share price for your transaction

All funds except the Money Market Fund On any business day, if a fund receives your request to buy, exchange, or sell shares before closing time on the NYSE, it will use that day's NAV as the price for your

transaction. If a fund receives your request after closing time, it will use the next business day's NAV for your transaction.

Any time that we need more information before we can complete a transaction you requested, we will use the NAV as of the business day we receive all the required information for your transaction.

Money Market Fund Investments must be made in Federal Funds (i.e., monies credited to the account of the fund's custodian bank by a Federal Reserve Bank). The Federal Reserve is closed on certain holidays on which the NYSE is open. These holidays are Columbus Day and Veteran's Day. On these holidays, you will not be able to purchase shares of a fund because the Federal Funds wiring does not occur on these holidays. You will begin accruing dividends on the business day following the business day your purchase request is received in good order. (As with the other funds, investments received after the close of business are treated as having arrived on the next business day.) Dividends will accrue through the day of the redemption. Policies for selling shares are the same as for the other funds.

General Business Policies

Eligible investors

In general, shares of the funds are available for sale only in the U.S. and its territories, and only to U.S. residents who have a Social Security Number. However, there are some exceptions — for example, shares can be sold to members of the U.S. military based outside the United States.

Verifying your identity

In accordance with the USA PATRIOT Act and related regulations, when you apply to open a new account in any fund, we will ask for your name, address, date of birth, tax identification number, and other information that will allow us to identify you. If you do not provide the required information, and we cannot contact you to obtain it, we have the option of declining your application and returning your initial investment.

A fund is required to take steps to verify your identity, such as checking your information against various databases. If a fund is unable to verify your identity from the information you provide, or believes it has identified potentially unlawful activity, you may be restricted from making purchases or transferring shares, or the fund may close your account or take such other action it deems reasonable or required by law.

Automatic Investment Program

This program lets you set up regular, automatic investments in the fund(s) of your choice. It can be used on any type of fund account. The money for the investments can come from your bank account or your paycheck.

Note that if two scheduled investments in a row are denied because of insufficient funds, we may cancel your Automatic Investment Program.

The funds' business days

Each fund is open for business every day the NYSE is open for business. This is normally Monday through Friday, except when the following holidays are observed: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas. A fund may suspend redemptions or postpone payment dates on any other day when the NYSE is closed or when its trading is restricted, or as otherwise permitted by the SEC.

Reporting of fund turnover rates

All mutual funds (except money market funds) are required to report their turnover rate, which is simply the portion of a fund's investments that were traded for new ones in one year.

To the extent that a fund invests primarily in underlying funds rather than directly in securities, its turnover rate is not really meaningful (since most of the active trading of securities occurs within the underlying fund). Therefore, AARP Financial anticipates that each fund will have a turnover rate of less than 100% (generally significantly less). A higher turnover rate (over 100%) usually means higher costs due to brokerage expenses and taxes on capital gains.

At the underlying fund level, turnover also is expected to be low because of the indexing strategy: the underlying funds (other than the Underlying Money Market Fund) are designed to invest for the long term, and generally buy and sell investments only to adjust to changes in the target indexes. Therefore, AARP Financial anticipates that each underlying fund (other than the Underlying Money Market Fund) will have a turnover rate of less than 100%.

Reporting of fund holdings

All mutual funds (including the underlying funds) must report their holdings within 60 days of the end of each calendar quarter. The holdings of each fund are available at www.aarpfinancial.com after the funds have filed the required information with the SEC.

For more information on how we handle the disclosure of portfolio holdings, consult the funds' Statement of Additional Information.

Precautions against fraud

For your security, the funds take precautions to help ensure that all orders received are authentic, whether those orders are placed in writing, by telephone, online, or through the Automated Response System. For instance, callers must verify personal identification information, and calls may be recorded.

It's important to understand that so long as a fund has taken reasonable precautions, it is not responsible if any fraud does occur. If you want to be certain you are protecting your account from fraudulent telephone orders, the only way is to decline telephone privileges on your account application. If you make transactions online, be sure to safeguard your user name and password, and use security programs to protect your computer.

Our right to change policies

Except as noted in this prospectus and the Statement of Additional Information, each fund has the right to change any of its investment objectives, investment strategies, or restrictions (as well as any other policies) without shareholder approval or prior notice.

AARP Funds may also change account requirements as follows, without prior notice to shareholders, when it believes it is in the best interest of a fund:

- add, change, or discontinue conditions for account service, account privileges, or buying shares
- accept initial investment by telephone
- freeze an account when there is a dispute between account owners, or when a fund believes a transaction is fraudulent
- redeem an account (sell all its shares) without the owners' permission when a fund believes there has been fraudulent or illegal activity
- change and introduce any fees

These changes may affect all investors of a fund, or only certain groups.

Distributions and Taxes

About mutual fund distributions

Mutual funds earn income, in the form of dividends and interest from securities they hold. They may also realize capital gains if they sell securities for more than they paid for them. Each fund will distribute its income and net capital gains to investors — who, in turn, are responsible for paying any required taxes on the distributions they receive.

Timing of distributions

Each fund generally pays capital gains distributions (if any) in December. Even with normal investment activity, the amount may vary considerably from year to year.

Each fund generally pays income distributions (if any) as follows:

- AARP Aggressive Fund and AARP Moderate Fund: June and December
- AARP Conservative Fund: March, June, September, and December
- AARP Income Fund: monthly
- AARP Money Market Fund: declared daily, paid as of the last business day of each month

Options for receiving distributions

You may tell us to pay your distributions in cash or to invest them automatically in more shares of the same fund (known as dividend reinvestment). Either way, you are liable for tax on them. If you do not tell us how you want your distributions paid, your distributions will be reinvested.

If we mail a distribution check to your address of record and it is returned to us because of an invalid address, we will automatically reinvest all future distributions until you provide us with the correct address.

Tax consequences of distributions

Please consult your tax advisor for detailed information on the tax consequences of investing in a mutual fund, including the following issues:

- Your tax consequences will depend on whether you have invested through a regular account or a tax-deferred account such as an IRA.
- Depending on how long a fund holds securities before selling them, its distributions will be classified as either short-term or long-term capital gains or losses. Distributions from net short-term capital gains will generally be taxed as ordinary income. Because different tax rates apply, the funds will supply information on whether distributions are treated as ordinary income or long-term capital gains for tax purposes.
- No matter how long you have held shares in a fund, you will receive distributions when they are paid and you will be liable for taxes on them. For shares that are not in an IRA or other tax-deferred account, it is generally wise not to buy shares shortly before a distribution is paid. By waiting until just after the distribution is paid, you will reduce your tax burden for that year.

Tax consequences of exchanging or selling shares

Just as a fund realizes capital gains when securities are sold at a higher price than originally paid, you may realize a capital gain on your own transactions. That is, if you sell or exchange shares of a fund at a higher price than you paid, you will likely owe taxes on the resulting capital gain. Of course, the reverse is true as well: if you sell or exchange shares at a loss, you might be able to deduct the loss on your tax return, subject to certain limitations under the tax laws. You should be aware that state and local taxes may apply, as well as federal income tax.

Backup withholding

You must certify that you have provided the funds with your correct Social Security or tax identification number, and that you are not subject to backup withholding. If you do not provide this information and certify that it is correct, we are required by law to withhold 28% of all taxable distributions, sales, and exchanges from your account.

Glossary

General Investment Terms

asset-backed security A security that pools loans, such as credit card, auto, or home equity loans. Principal and interest payments are collected and passed through to investors.

blue sky A state law that regulates the offering and sale of securities.

bonds Investments that pay interest (often a fixed amount) to investors. Typical issuers include corporations, federal or state governments, and entities sponsored by or associated with governments. A bond is essentially an IOU. It represents a debt owed by the issuer (as opposed to stocks, which represent shares of ownership in the issuer). In the event that an issuer goes bankrupt or otherwise encounters financial difficulties, its bondholders generally have priority over stockholders.

commercial paper A debt instrument issued by a corporation (typically to meet short-term financial needs) that normally must be paid back within 270 days.

current income Money paid out to investors, such as bond interest.

derivative In general, a financial contract whose value is based on the value of underlying assets, instruments, or indexes (such as futures, options, and swaps).

dividends Money paid by a mutual fund or by a stock-issuing company to the investors who own shares of a fund or of the company's stock. Stock dividends are generated by the issuing company's business operations. Mutual fund dividends are generated by interest or dividends the fund receives from investments it owns.

dividend reinvestment Using dividends to buy additional shares of the investment paying the dividend, instead of taking the money as a cash payment.

emerging market A country whose stock and bond markets are still developing, such as many countries in Asia, Latin America, Eastern Europe, and Africa.

fair value A value that an owner might reasonably expect to receive upon current sale.

good order A purchase, exchange or redemption order is in "good order" when a fund, or its agent, receives all required information, including properly completed and signed documents.

growth of capital With mutual funds, the growth in value of an investment through an increase in a fund's share price, which is based in turn on a net increase in the value of the fund's holdings.

interest Money paid by a bond issuer to investors who, in effect, have loaned the issuer money by buying its bonds.

market price The last reported price of a security on a market where that security is bought and sold.

Medallion signature guarantee A stamp or seal from an approved financial institution that participates in one of the three recognized Medallion programs. The stamp or seal guarantees that your signature is authentic. See also page 31.

money market instruments Short-term, liquid investments that usually mature within 13 months. Examples of money market instruments are U.S. Treasury bills, bank certificates of deposit, repurchase agreements, commercial paper, and bankers' acceptances.

mortgage-backed security A security of an issuer that pools mortgages. Principal and interest payments on the mortgages are collected and passed through to investors.

net asset value per share (NAV) The price of a single share of a mutual fund.

omnibus account A single account held by an investment professional on behalf of many investors.

preservation of capital The preservation of the value of an investor's investment.

real estate investment trust (REIT) A security that is issued by a company that invests in real estate (either by owning property directly or through mortgages) and that trades on a stock exchange.

rebalance To maintain a target mix of stocks, bonds, and other assets.

Securities and Exchange Commission (SEC) The SEC has primary responsibility for enforcing the federal securities laws and regulating the U.S. securities industry and markets.

share price See "net asset value per share."

small company stock Generally, stock of a company whose total market value is between \$250 million and \$1 billion.

stocks Investments that represent a share of ownership in a company. Stocks are traded on markets or exchanges where their prices can go up or down in response to supply and demand. Some stocks also pay dividends.

total return The total gain or loss of a mutual fund, including all dividends, interest, and capital gains. It is expressed as a percentage of the original investment, and reflects the reinvestment of dividends and interest.

yield The amount of income (meaning interest or dividends) earned by an investment, expressed as a percentage of the investment's price.

Prospectus-Specific Terms

fund, funds One, some, or all five of the mutual funds offered in this prospectus.

SSgA FM SSgA Funds Management, Inc.

Underlying Bond Fund The U.S. Bond Market Portfolio.

underlying funds Currently the U.S. Bond Market Portfolio, the U.S. Stock Market Portfolio, and the International Stock Market Portfolio (each a series of AARP Portfolios), the State Street Money Market Portfolio (a series of the State Street Master Funds), and various ETFs. Other funds may be used as underlying funds in the future.

Underlying International Fund The International Stock Market Portfolio.

Underlying Money Market Fund The State Street Money Market Portfolio.

Underlying Stock Market Fund The U.S. Stock Market Portfolio.

For More Information

Annual and semi-annual reports

Each report includes financial statements and the annual report discusses the market conditions and investment strategies that significantly affected each fund's performance (other than the Money Market Fund).

Statement of Additional Information (SAI)

The SAI provides more detailed information about the funds, such as the portfolio managers' compensation, other accounts managed by the portfolio managers, and the portfolio managers' ownership of securities of the funds, as well as more information on how we handle the disclosure of portfolio holdings. The funds' annual and semi-annual reports and the SAI are incorporated by reference into (are legally a part of) this prospectus.

To request a free copy of the latest annual or semi-annual report to shareholders, the SAI, or other information about the funds or your account, please contact us:

By phone 1-800-958-6457

Monday–Friday, 8:00 AM to 6:00 PM Eastern time

By email info@aarpfinancial.com

Online www.aarpfinancial.com

By regular mail

AARP Funds
P.O. Box 8035
Boston, MA 02266-8035

By overnight mail

AARP Funds
c/o BFDS
30 Dan Road
Canton, MA 02021

You can also review and copy information about the funds (including the SAI) at the SEC's Public Reference Room in Washington, DC. (call the SEC at 202-551-8090 for more information). Reports and other information about the funds are also available from the SEC's EDGAR Database at www.sec.gov, or you can receive copies of this information, for a fee, by electronic request at the following:

By email publicinfo@sec.gov

By regular or overnight mail

Public Reference Section
Securities and Exchange Commission
Washington, DC 20549-1520



Privacy Policy Notice

This privacy policy notice summarizes how AARP Financial Incorporated (AFI) and AARP Funds and AARP Portfolios (funds and collectively with AFI, we, our or us) plan to protect our customers' (your) non-public personal information (Information).

Our commitment to safeguarding your privacy

We value your trust and continue to recognize the importance of holding your Information as confidential.

We will do our best to use your Information responsibly in order to protect you from fraud, and comply with legal obligations.

We will require companies with which we do business to use any Information we provide appropriately and to safeguard the confidentiality of such Information.

We collect the following categories of Information about you

We collect Information about you from the following sources:

- Information we receive from you on applications or other forms, on our web site or through other means;
- Information we receive from your transactions, correspondence and other communications with us; and
- Information we receive from you in connection with providing you a financial product or service.

We disclose the following categories of Information about you

We do not disclose any Information about you or any former shareholder to anyone, except as permitted or required by law. All Information may be shared among the funds or between a fund and AFI, including its affiliates, AARP and AARP Services, Inc. to provide products or services to you or to make a solicitation for marketing purposes related to financial products or nonfinancial products such as membership in AARP.

We may disclose all Information about you or any former customer to the following types of affiliated and non-affiliated third parties:

- Financial service providers who assist us in maintaining or servicing your accounts, such as securities broker/dealers, the distributor of any funds for which AFI provides investment advisory services, transfer agent, printers and those who assist with mailing and other services that are typically provided to funds as

well as financial service providers who do not assist us in maintaining or servicing your accounts, such as companies engaged in banking, credit cards, consumer finance, securities and insurance with whom we or our affiliates have agreements to provide endorsed products or services;

- Nonfinancial companies, such as service providers who fulfill information requests as well as nonfinancial companies engaged in direct marketing and the selling of consumer products and services with whom we or our affiliates have agreements to provide member benefits or discounts; and
- Others with whom you have consented to our sharing your Information or joint account holders.

We may also disclose all of the Information we collect to companies who perform marketing services on our behalf or to other institutions with whom we or our affiliates have joint marketing agreements, except as otherwise prohibited by federal or state law.

Protecting the security and confidentiality of your Information

We restrict access to Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your Information. We will protect against anticipated threats or hazards to the security of the Information we receive from a consumer reporting agency, as well as against unauthorized use of this Information. When disposing of any Information, we will take reasonable measures to protect against unauthorized access or use of the Information.

Your privacy choices

If you do not want us to share your Information with non-affiliated third parties who do not provide services to us (we may still provide your Information as permitted by law and as necessary to process and service your accounts) or if you want us to limit the personal Information that we share about you with our affiliates (unless otherwise permitted by law), you can opt-out of the disclosure of your Information by contacting us at 1-800-958-6457. Please allow 30 days from our receipt of your privacy choices for them to become effective.

Investors purchasing or owning interests of the funds through their bank, broker or other financial institution should consult that institution's privacy policies.

Shareholder Services

How we communicate with you

We send out several types of regular communications to keep you informed about your investment:

- *Transaction* confirmations to verify your purchases or sales.
- Quarterly and annual account statements that recap all activity for the period, so you can monitor your investments.
- Annual and semi-annual reports.

Note that if you have more than one account with the same address, or share an address with other investors that have an account, we will send one copy of a prospectus, annual report, and other similar documents to that address. If at any time in the future you decide you would prefer to receive duplicate documents for each account you own, simply

call us and speak with a service representative. You will begin receiving individual copies within 30 days of the date that we receive your instructions.

How you can communicate with us

We're available in whatever way you find most convenient: online, by phone, and mail.

Service is available 24 hours, 7 days a week, at our internet site and through our telephone Automated Response System. Both can provide a wealth of information and can process most routine requests.

If you want to talk with someone who can help you decide if a fund is right for you, you can speak with a Financial Advisor at AARP Financial from 8:00 AM to 6:00 PM Eastern time. For help with transactions or account-related inquiries, speak with a Shareholder Services representative.

How to reach us

By regular mail

AARP Funds
P.O. Box 8035
Boston, MA 02266-8035

By overnight mail

AARP Funds
c/o BFDS
30 Dan Road
Canton, MA 02021

- Buy, sell or exchange shares
- Change the name on your account
- Add a seasonal mailing address
- Add bank information to your account
- Add or change an Automatic Investment Program
- Add or change payroll deduction

Online www.aarpfinancial.com

- Open an account
- Get a prospectus or fund report
- Buy, sell or exchange shares
- View your account balance and share price
- Change your mailing address
- Order duplicate statements or receive tax form information
- Download account service forms
- Change Automatic and Systematic Investment Programs

By email

info@aarpfinancial.com

By phone

1-800-958-6457

Financial Advisors at AARP Financial

- Speak with a Financial Advisor who can help you identify your goals, determine if you're on track, and decide if a fund is right for you.

Shareholder Services representatives or our 24-hour Automated Response System

- Receive account information and service (representatives only)
- Change your address of record (representatives only)
- Exchange shares
- Buy or sell shares by electronic transfer
- Order duplicate statements
- Check your account balance



ARP-PR-W08-1009