



Financial Aid Update

Changes to the 2017-18 FAFSA®

On Sept. 14, 2015, President Obama announced significant changes to the Free Application for Federal Student Aid (FAFSA®) process that will impact millions of students.

Changes to the 2017-18 FAFSA®

The U.S. Department of Education has announced new income reporting rules for the Free Application for Federal Student Aid (FAFSA), beginning with the 2017-18 school year. Instead of using prior year income as "base year" income, the FAFSA will use prior-prior year income. For example, the FAFSA will report 2015 calendar year income for the 2017-18 Expected Family Contribution (EFC) determination instead of 2016 calendar year income.

Non-parental owned 529s will be more financial aid friendly *

A student's financial aid package can be reduced by as much as 50% of the value of student income reported on their FAFSA. That means if a grandparent gifts \$10,000 to help pay for his grandchild's college, it could reduce the student's federal financial aid by \$5,000 the following year. This includes withdrawals from a 529 plan. To avoid this, we typically advise grandparents to wait until the grandchild's junior year of college (after he or she files their last FAFSA) to help pay for college.

However, the new rules offer grandparents, aunts and uncles greater flexibility in tapping their 529 accounts for their grandchildren, nieces and nephews allowing them to provide financial support as early as the student's sophomore year, after the second-to-last FAFSA is filed.

*Keep in mind that these changes do not go into effect until the 2017-18 school year. The 2016-17 FAFSA rules will remain the same as current treatment.

Earlier and longer FAFSA® filing window *

Also new is the 2016-17 FAFSA will be the final FAFSA to launch on January 1. Beginning with the 2017-18 application, the FAFSA will be available to students and families October 1 of the previous year. This means students who need to complete the 2017-18 FAFSA will be able to access and submit the form anytime from Oct. 1, 2016, through June 30, 2018.

**Keep in mind that these changes do not go into effect until the 2017-18 school year. The 2016-17 FAFSA rules will remain the same as current treatment.*

Links to resources

- [White House fact sheet](#) (for the general public)
- [FAFSA Changes Fact Sheet](#) (for students)
- [FAFSA Changes Frequently Asked Questions](#) (for you, the counselor/advisor)

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through an out-of-state plan. Robert W. Baird & Co. does not provide tax advice. Before investing in any state's 529 plan, you should consult your tax adviser.