

How We See the World Today

Grey River Associates Annual Letter 2025

To: Grey River Clients and Friends

From: Nathan Elliott Shantz

Date: February 3, 2026

Re: How We See the World Today

As we close out 2025 and look toward the years ahead, we find ourselves at an inflection point in global affairs unlike any we have witnessed in our lifetimes. The post-war order that defined international relations, trade, and monetary policy for nearly eight decades is fracturing. The assumptions that guided wealth creation, preservation, and transfer across borders are being rewritten.

A note on timing: We are releasing this annual letter on February 2, 2026, later than our usual practice, due to the immense change that has occurred even since the turn of the year. The pace of geopolitical and economic developments has been extraordinary, and we wanted this letter to reflect these evolving trends rather than publish a document that would feel dated within weeks. We believe this additional perspective serves our readers well.

Our goal in this letter is to share our analysis of the forces we see shaping markets and geopolitics, and to outline how we believe prudent families should think about positioning. We do not claim to know exactly how events will unfold. But we believe the structural pressures we describe are real, that they will influence policy and markets over the coming years, and that understanding them improves decision-making.

At Grey River, we believe that informed clients make better decisions. What follows is our assessment of the world as it stands today-and what it means for families navigating international tax planning, residency diversification, and wealth preservation.

Part I: The Global Debt Reckoning

"If something cannot go on forever, it will stop."

- Herbert Stein, Economist

The numbers are staggering. Global government debt now exceeds \$111 trillion¹-a sum so vast it defies comprehension. To put this in perspective: if you stacked \$100 bills representing this debt, the pile would reach beyond the moon. Yet numbers alone fail to capture the severity of what we face. The true measure of fiscal health lies not in absolute debt but in a nation's capacity to service it.

Consider the following table, which presents the fiscal position of the world's largest economies:

Country	GDP 2024 (\$T)	Total Debt (\$T)	Debt/GDP	Tax Rev (\$T)	Spend (\$T)
United States	29.2	38.4	124%	4.9	6.8
China	18.5	16.7	88%	3.2	4.1
Japan	4.2	8.8	237%	0.7	1.0
Germany	4.7	2.9	62%	1.9	2.1
United Kingdom	3.5	3.7	102%	1.1	1.4
France	3.1	3.5	113%	1.4	1.7
Italy	2.3	3.1	135%	1.0	1.2
Canada	2.2	2.4	111%	0.8	0.9
Spain	1.7	1.7	102%	0.6	0.7
Australia	1.8	0.8	44%	0.6	0.7

Sources: IMF World Economic Outlook, Trading Economics, Congressional Budget Office. Figures rounded. Note: we use 2024 GDP figures since 2025 figures are still being calculated at the time of publication.

What strikes us most is not the variation between countries-it is the uniformity of the predicament. Every major economy runs persistent deficits. Every major economy has debt levels that would have been considered crisis-level just two decades ago. The question is no longer whether governments will be forced to address these imbalances, but how.

U.S. interest costs

For the United States, the arithmetic has become particularly brutal. Net interest payments on federal debt reached \$981 billion in fiscal year 2025³-nearly tripling in five years. Interest now consumes nearly 14% of all federal outlays, exceeding spending on national defense. The Congressional Budget Office projects this will rise to \$1.7 trillion annually by 2034.

Japan offers a cautionary tale. With debt exceeding 237% of GDP,⁴ it has avoided crisis only through a combination of near-zero interest rates and domestic ownership of government bonds. But as the Bank of Japan normalizes monetary policy, this equilibrium grows increasingly fragile.

Bond market developments

We are already seeing bond markets respond. Japanese government bond yields at the long end have risen sharply as the Bank of Japan steps back from its yield curve control policy. The 10-year JGB yield, which was effectively capped near zero for years, has moved meaningfully higher. This is not a theoretical risk; it is happening now.

The same dynamic could unfold in the United States, and the arithmetic is sobering. With approximately \$38.4 trillion in federal debt,² a mere 2 percentage point increase in the average interest rate paid would add roughly \$770 billion annually to interest costs. This would push total interest payments from approximately \$1 trillion today toward \$2 trillion, potentially within a few years. Compounding this risk: a significant portion of U.S. government debt is short-term and must be rolled over regularly. As this debt matures and is refinanced at prevailing rates, higher market yields translate directly into higher government outlays. The Treasury cannot simply wait out elevated rates; it must continually return to the market to fund the ever increasing deficits.

For our clients, the implications are clear: governments facing unsustainable debt burdens have limited options-inflate away obligations, raise taxes, reduce services, or some combination of all three. High-tax jurisdictions will almost certainly become higher-tax jurisdictions. The political path of least resistance invariably leads to taxing wealth that cannot easily move. Unless, of course, it has already moved. This is what we help our clients think through after completing a comprehensive analysis of their wealth, business interests, and assets.

Part II: Peak 65 and the Demographic Reckoning

"Demography is destiny."

- Auguste Comte

In 2025, we have reached what demographers call "Peak 65"-the year when more Americans will turn 65 than in any previous year in history. Approximately 11,400 Americans celebrate their 65th birthday every single day of this year.⁵ By the end of 2025, roughly 73 million Baby Boomers will be 65 or older, comprising more than one-fifth of the American population.

The United States is not alone. Other Western nations face similar or more severe demographic trajectories. Germany's population over 65 has already reached 22%, with projections approaching 30% by 2040. Italy's median age is now 48,⁷ one of the highest in the world. The United Kingdom, Canada, Australia, and France are all navigating the same generational transition, with large post-war cohorts moving from productive employment into retirement. The fiscal and market implications we describe for the United States apply, in varying degrees, across the developed world.

The implications for fiscal policy and asset markets are significant. Social Security and Medicare outlays will increase mechanically as the beneficiary population grows. Healthcare spending, which already accounts for nearly 18% of U.S. GDP, will face additional upward pressure. Labor force participation will decline, affecting both economic output and tax revenue.

The retirement transition

Consider what happens when a worker retires: They stop paying into Social Security and begin drawing from it. They become eligible for Medicare, dramatically increasing healthcare costs borne by government. They exit the labor force, reducing productive output while maintaining consumption. They draw down savings, shifting from wealth accumulation to wealth depletion.

Between 2024 and 2030, approximately 30.4 million Baby Boomers will reach age 65 according to the US Census Bureau. The labor force participation rate is projected to decline from 62% to 58% by decade's end. Meanwhile, healthcare costs for Americans 65 and older average three to five times those of working-age adults.

Japan stands roughly fifteen years ahead of the United States on this demographic curve. In 2024, 30.2% of Japan's population was 65 or older⁸-projections suggest this will reach 36.7% by 2045. The economic consequences have been severe: decades of stagnation, persistent deflation, and debt levels unimaginable elsewhere.

The entitlement systems designed in the mid-twentieth century assumed worker-to-retiree ratios that no longer exist. When Social Security was established, there were roughly 42 workers for every retiree in the United States. Today, that ratio stands at approximately 2.8 to 1⁹-and falling. Similar concerning trends are at work in most major Western nations.

Capital flows and risk tolerance

Peak 65 is not merely a fiscal challenge. It represents a fundamental shift in the risk tolerance of capital markets and the flows of capital on a macro scale.

As Baby Boomers transition from accumulation to distribution, they will systematically rotate out of equities and into fixed income instruments: Treasury bills, bonds, and other capital preservation vehicles. This is rational behavior for retirees who can no longer afford to wait out market downturns. But the aggregate effect will be profound.

The critical question: who replaces this capital? Millennials, despite being the largest generation by headcount, do not possess the accumulated wealth to offset Boomer de-risking. The capital that has supported elevated equity valuations for decades will gradually withdraw, and there is no equivalent buyer waiting in the wings.

The implication is straightforward: the cost of capital for American companies will rise and markets are likely to experience selling pressure. This does not require a crisis to unfold. It is simply the mathematics of supply and demand applied to investable capital. When the supply of risk-tolerant capital declines and demand remains constant, the price of that capital increases. Equity values move inversely to cost of capital.

Even setting aside equity multiples at or near all-time highs, a higher cost of capital necessitates a correction in asset prices over time. The catalyst could be any number of triggers: disappointing economic data, rising unemployment, geopolitical shock, or growing disillusionment with AI's ability to deliver on its promises. But the underlying pressure exists independent of any single event.

Stocks and real estate are highly sensitive to interest rates and cost of capital. The valuations we have become accustomed to were built on assumptions of perpetually cheap money. Those assumptions are being tested by forces far more powerful than central bank policy: the simple reality of 73 million Americans (and many more globally) entering retirement, a rising debt burden, and a less valuable US dollar as global economies fragment.

Equity market outlook

This raises a question that few in the financial industry want to confront: will the equity market gains of the past four decades persist over the next five to ten years as capital begins to flow out rather than in? The massive accumulation into indices such as the S&P 500 companies has been a one-directional trade for most of the past decades since the 1980s, and has only accelerated in the past 15 years since the GFC with the advent of ETFs and the popularity of passive investing. As retirees begin drawing down their portfolios to fund living expenses, this flow could reverse. More fundamentally, corporate earnings depend on consumer spending, which depends on employed workers with rising incomes. As the working-age population declines relative to the total population, aggregate demand will face structural headwinds. Revenues and profits at the corporate level may grow more slowly, or not at all.

The assumption that markets always return 10% annually could be severely tested in this environment. Consider the four main drivers of equity market returns over the past 40 years: globalization (which reduced costs and expanded markets), government spending (which supported demand), population growth (which provided labor and consumers), and leverage (which amplified returns). Each of these drivers may now be reversing. Deglobalization is raising costs. Government debt burdens are constraining fiscal flexibility. Populations are aging and, in many developed countries, shrinking. And interest rates can no longer decline from already-low levels to boost asset valuations further. Investors who assume the future will resemble the past may be disappointed. Passively riding double digit returns is likely a feature of the past era - smart alpha generation and value creation will be key to build wealth going forward.

Returns in real terms

Zooming in on the past year, though U.S. equity markets finished 2025 in positive territory, the real question is: what is the true value of those gains when measured against something other than a depreciating currency? The S&P 500 rose approximately 16% in U.S. dollar terms in 2025.¹² But the U.S. dollar index fell roughly 9.4% against major currencies, its worst year since 2017. For a European investor, the S&P 500's return in euro terms was almost nil (+0.56%).

The most revealing comparison is with hard assets. Gold surged 67% in 2025,¹⁰ its best year since 1979. Silver rose an astonishing 145%,¹¹ reaching record highs not seen since the Hunt brothers attempted to corner the market in 1980. These are not merely speculative moves. They represent a global consensus, expressed through markets, that fiat currencies (particularly the U.S. dollar) are losing purchasing power faster than official inflation statistics suggest. Even if you consider the recent precious metals spikes a "bubble", this is still something to watch closely.

Hard assets and currency considerations

History offers uncomfortable precedents. During previous periods of world order transition (from 1920 to 1945, for instance) fiat currencies underwent dramatic revaluations and in some cases complete collapse. The interwar period saw the destruction of the German mark, the abandonment of the gold standard, and eventually the Bretton Woods conference that established a new monetary order. Those who held physical assets (gold, silver, productive land) preserved their wealth. Those who held paper often did not.

We are not predicting hyperinflation or currency collapse. But we observe that central banks themselves are buying gold at rates not seen in decades, a signal that institutions responsible for fiat currencies are hedging their own positions. When the guardians of paper money accumulate hard money, it seems prudent to pay attention.

Portfolio positioning

A key part of our thesis with clients has been rotating out of concentrated exposure to long-term U.S. dollar positions and the bubble in many areas of the U.S. equity markets, and into more diversified

portfolios that include precious metals, international real estate, and positions in multiple currencies and diversified jurisdictions (both in terms of custodian of assets and the underlying). This is not market timing; it is prudent risk management in a world where the rules are being rewritten.

Another risk area is increased tax drag on personal income, business income, and investment returns. To understand the fiscal pressure facing high earners in major economies, we present a comparison of top marginal personal income tax rates across major Western economies and cities including all payroll taxes and social contributions:

City/Country	Top Rate	Components
New York City, USA	~52.8%	Federal 37% + NY State 10.9% + NYC 3.876% + Medicare 0.9%
Toronto, Canada	~53.5%	Federal 33% + Ontario 13.16% + CPP/EI contributions
London, UK	~47%	Income tax 45% + National Insurance 2% (above UEL)
Paris, France	~55.4%	Income tax 45% + social contributions ~10%
Berlin, Germany	~47.5%	Income tax 45% + solidarity surcharge 5.5% of tax
Sydney, Australia	~47%	Income tax 45% + Medicare levy 2%
Tokyo, Japan	~55.9%	National 45% + Local ~10% + social insurance

It's important to note that at these high tax rates, most governments still have widening deficit trajectories. Given current deficits, we expect additional surcharges, payroll deductions, and other pressures that will bring middle income rates into the mid 30s to 40% and top rates closer to 60% within the next decade. Note that these rates do not include capital gains taxes, property taxes, and sales taxes.

Now consider the alternative: lean city-states that have built fiscal models on efficiency rather than extraction.

City/Country	Metro Pop.	Top Rate	Key Features
Singapore	6.1M	24%	Progressive rates 0-24%; no capital gains; territorial system; no tax on foreign-source income
Hong Kong	7.7M	15-17%	Progressive 2-17% or flat 15% standard rate; territorial system; no tax on offshore income
Panama City	2.1M	0%	Territorial system; foreign-source income completely exempt; 0% on income earned outside Panama, 0% corporate tax.
Dubai, UAE	3.7M	0%	No personal income tax; no capital gains; no inheritance tax; 5% VAT and 9% corporate tax only
Montevideo, Uruguay	2.0M	0%	Territorial system; 11-year tax holiday on foreign income for new residents

These city-states share common characteristics: compact governance, low bureaucratic overhead, strategic geographic positioning, and revenue models built on attracting capital. Singapore runs consistent budget surpluses. Dubai has transformed itself from a fishing village to a global financial center in two generations. Panama's territorial system means that foreign-source income is simply not taxed at all and is rapidly becoming a popular destination for families, retirees and entrepreneurs in the Americas region. Uruguay's tax holiday offers new residents eleven years of exemption on foreign financial income.

The difference between paying 55% and 0-10% on personal income and 0% taxes on investment income (including capital gains) is not marginal. It is transformative. For a professional earning \$500,000 annually from location-independent work, the difference approaches \$275,000 per year in after-tax income. Compounded over a decade, with prudent investment, this becomes generational wealth (or at least a very solid nest egg to secure your family's future).

Note: if you want advice on undergoing a residence transition please reach out to us at info@grey-river.com. We are experts at these processes on both individual and corporate structuring while remaining compliant with tax authorities.

European residence programs

For those who prefer to remain within Europe, several jurisdictions offer special tax regimes designed to attract new residents. These programs provide meaningful tax advantages, though typically with more conditions than the city-states described above.

Program	Duration	Benefit	Key Features
UK FIG Regime	4 years	100% exempt	100% relief on foreign income/gains; requires 10yr non-UK residence; replaces non-dom from April 2025
Portugal IFICI (NHR 2.0)	10 years	20% flat	Flat 20% on Portuguese income for qualified professionals; foreign income exempt
Italy Impatriati	5 years	50% exempt	50% exemption (60% with child); EUR 600K cap; requires 3yr non-residence
Greece Article 5C	7 years	50% exempt	50% exemption on Greek-source employment/business income
Greece Non-Dom (5A)	15 years	EUR 100K flat	Annual EUR 100K lump-sum on all foreign income; requires EUR 500K investment
Greece Retirees (5B)	15 years	7% flat	Flat 7% on all foreign income for pensioners

Note: Tax regimes are subject to change. The UK non-dom regime was abolished in April 2025 and replaced with the 4-year FIG regime. Portugal's original NHR ended in 2024. Italy's impatriati regime was reformed in 2024 with reduced benefits. Consult qualified tax advisors for current rules.

We do note that European nations have historically demonstrated a lack of stability in regards to these incentive programs and given increased deficit pressures, these programs may be abolished or further modified in the near future.

Europe is an excellent place to vacation, but can be complicated from a residency, tax, and regulatory perspective. Don't say we didn't warn you.

Part III: The Fracturing of World Order

"The old order changeth, yielding place to new."

- Alfred, Lord Tennyson

The international system that emerged from the ashes of World War II-characterized by American hegemony, free trade, multilateral institutions, and security guarantees-is undergoing its most profound transformation since 1945. We are witnessing not a modification of the existing order but the emergence of something fundamentally different.

China-Russia alignment

The partnership between Beijing and Moscow has deepened to unprecedented levels. Presidents Xi and Putin have met more than 40 times since 2013,¹⁴ forging what they term a "comprehensive

strategic partnership of coordination." In 2024, bilateral trade reached \$245 billion¹³-an all-time high. China now purchases 47% of Russia's crude oil exports, 46% of its coal, and 27% of its pipeline gas.¹⁵

This is not a formal alliance-both nations are too jealous of their sovereignty for that. But it represents something equally significant: a coordinated challenge to American-led order. Joint military exercises have expanded dramatically, with at least 113 conducted through mid-2025. The two nations cooperate extensively in the UN Security Council, block Western initiatives, and promote alternative institutions like BRICS and the Shanghai Cooperation Organisation.

Middle powers and multipolarity

Perhaps more significant than great power competition is the changing behavior of middle powers. Countries like Saudi Arabia, India, Brazil, Indonesia, and Turkey increasingly refuse the binary choices that characterized the Cold War. They maintain relations with all major powers simultaneously, extracting concessions from each while committing fully to none.

Saudi Arabia exemplifies this approach-purchasing American weapons while welcoming Chinese investment, normalizing with Israel while maintaining Iranian channels, joining BRICS while hosting American troops. This appears to be par for the course for the Middle Powers: in a fragmenting world, optionality becomes the most valuable currency. Even Mark Carney has made overtures toward China, seeking to reduce Canada's reliance on its powerful (and increasingly assertive) southern neighbor. Whether this pivot succeeds remains to be seen, particularly given Canada's economic vulnerabilities and deep integration with the US market. But Middle Powers will try their best to gain leverage as best they can in this multi-polar world.

Trade policy developments

"Every nation for itself" may be rational in a game-theoretic sense, but it is corrosive to global growth and living standards. The Ricardian free trade consensus that defined the post-Cold War era is collapsing. Tariffs, once dismissed as mercantilist relics, have returned with force—the United States imposing sweeping levies on Chinese goods, China retaliating, and the European Union following with measures of its own. We will not try to document recent events here, as inevitably the trade landscape will change in the near future, yet again.

This represents more than economic nationalism-it signals the end of the assumption of commercial interdependence many corporations had taken for granted. Governments increasingly view supply chains not as efficiency optimizers but as strategic vulnerabilities. Security concerns now routinely override economic considerations. This is a net drag on earnings and economic growth as these policies are inherently less efficient. However, world leaders will continue to build redundancies and homegrown industry to reverse the trend towards China being the "manufacturer of the world" which is not ideal from a defense standpoint.

For internationally-oriented families and businesses, this fragmentation creates both challenges and opportunities. Cross-border transactions face new complications. But for those positioned to navigate multiple jurisdictions-who understand the rules in Panama as well as Singapore, in Dubai as well as Dublin-the friction that impedes others can lead to new opportunities as well.

Observations from Davos 2025

The January 2026 World Economic Forum in Davos offered a revealing window into how global elites are processing these shifts. Jamie Dimon, CEO of JPMorgan Chase, delivered a characteristically blunt assessment. Standing before an audience of the world's most powerful executives and policymakers, he offered a pointed critique: "I've been coming to Davos all these years and listen to chatter and stuff like that. And you didn't do a particularly good job making the world a better place."

Dimon's observations on markets were equally direct. "Asset prices are kind of inflated, by any measure. They are in the top 10% or 15%" of historical valuations, he told CNBC. He described himself

as “more cautious than others” because of risks from deficit spending, inflation, and geopolitical upheaval.

European Central Bank President Christine Lagarde struck a more defensive posture, warning that Europe must “be prepared, and anticipate what will happen in order to respond” to American tariff threats. In a moment that captured the transatlantic tension, Lagarde reportedly walked out of a high-profile dinner hosted by BlackRock’s Larry Fink after U.S. Commerce Secretary Howard Lutnick delivered harsh criticism of European economic performance. The episode symbolized a broader rupture: the postwar assumption of a unified Western economic bloc is fraying at precisely the moment when coordination matters most.

Despite the rhetoric, the EU will likely seek to repair relations with the United States, if only to preserve the security umbrella it depends on. The challenge for Brussels is that Washington sees this leverage clearly and will negotiate accordingly. Canada faces a similar bind: it relies heavily on the United States to defend its northern frontier.

Capital controls and jurisdictional risk

We have focused extensively on tariffs and trade wars, but the next phase is likely to be capital wars. When nations cannot achieve their objectives through trade restrictions alone, they inevitably turn to controlling the flow of money itself. Capital controls (restrictions on the movement of funds across borders) have been deployed throughout history during periods of geopolitical stress. They will likely return again in the future. Hence our recommendation: hold some capital abroad, even if you remain resident in the UK, US, or Canada. In today’s environment, diversification across jurisdictions is more important than ever.

Thus, a big theme we are currently seeing emerge in our practice is asset protection and diversification of jurisdictions. Families with concentrated exposure to a single country (particularly high-tax Western nations facing fiscal pressure) are increasingly vulnerable to policy changes they cannot predict or control. The prudent response is to establish positions in multiple jurisdictions before the need becomes acute.

Western Hemisphere considerations

The geopolitical landscape is shifting not only in Asia, the Middle East, and Europe but throughout the Americas. The United States has signaled renewed interest in the Arctic through its pressure on Greenland and broader assertions of influence from Canada through Latin America. Meanwhile, traditional relationships between the U.S. and its neighbors are being renegotiated under the weight of tariffs, immigration policy, and security concerns. Venezuela is now under US control (sort of), and Panama recently declared the concessions of Hong Kong based CK Hutchinson’s two ports on the canal as invalid (in fact, one of such ports is just a few miles from our offices in Panama City). Interesting times, indeed. We expect the political environment to grow more volatile, not less, from here.

For our clients, we recommend considering a rotation out of overvalued Western real estate markets and into markets that offer both value and strategic positioning. Countries such as Panama, Uruguay, Chile, and Argentina present compelling opportunities, not merely for tax efficiency, but as safe havens and secondary assets in an uncertain world. These jurisdictions offer political stability (or in Argentina’s case, dramatic economic reform), favorable demographic trends, and property values that remain reasonable by global standards. A beachfront property in Uruguay or a ranch in Patagonia serves multiple purposes: it is an inflation hedge, a lifestyle asset, and a contingency plan rolled into one. Equity markets in international and emerging markets also offer opportunities.

Taiwan and semiconductor supply chains

No discussion of geopolitical risk is complete without addressing Taiwan—not because conflict is inevitable, but because the consequences of disruption would cascade through global markets in ways that remain dramatically underpriced.

Taiwan Semiconductor Manufacturing Company (TSMC) produces over 90% of the world's most advanced chips.¹⁶ These are not commodities; they are the substrate upon which artificial intelligence, cloud computing, and modern electronics depend. The global economy runs on Taiwanese silicon.

Why 'capturing TSMC' is not like capturing an oil field.

Advanced semiconductor fabs are among the most fragile industrial assets ever constructed. They require continuous stable power, ultrapure water, cleanroom integrity, and extremely tight process control. Even limited disruption can push yields to near-zero. The cutting edge depends on highly specialized foreign equipment: lithography systems from the Netherlands, metrology tools from Japan, EDA software from the United States. In a takeover scenario, this toolchain would be denied through export controls.

Perhaps most critically, the 'recipe' for leading-edge manufacturing is embedded in human teams. In any contingency, a meaningful fraction of Taiwan's semiconductor engineers and managers would leave, refuse, or be unable to operate normally. The knowledge walks out the door. The most probable outcome of a Taiwan disruption is not China becoming the world's advanced chip supplier. It is massive disruption to global supply—a compute shock, not a transfer of capability.

Equity market implications.

A Taiwan disruption would not lead to a 10-20% drawdown. It would be a multiple-reset regime shift. Under a material disruption scenario, we estimate the following effects based on current valuations as of the date of this publication:

Segment	Estimated Drawdown	EPS Growth Reset
AI Hardware (NVIDIA-type)	-50% to -65%	30-40% → 0-10%
Hyperscalers (Microsoft, Amazon, Google)	-25% to -45%	20-25% → 5-10%
Platforms with pricing power (Apple)	-20% to -35%	8-12% → 5-8%
S&P 500 (index level)	-25% to -35%	Broad multiple compression
NASDAQ 100	-35% to -45%	Tech-weighted impact

This would not be a single-day crash but a 6-18 month repricing as markets digest the reality that AI scaling timelines have been pushed years into the future. Central banks cannot print GPUs. The survivors would eventually emerge stronger, but at far lower entry prices.

Part IV: The AI Transformation

"AI is the most transformative technology we've seen since the Internet."

- Andy Jassy, CEO of Amazon

Labor market effects

Artificial intelligence has moved from theoretical promise to practical disruption with stunning speed. In 2025, AI was cited as the direct cause of over 50,000 American layoffs and this represents only explicit acknowledgments. The true figure, including layoffs made in anticipation of AI capabilities, is almost certainly significantly higher and accelerating as we enter 2026.

Major technology companies have been at the forefront. Amazon announced 14,000 corporate role eliminations in October, with leadership explicitly noting that AI means "fewer people doing some of the jobs that are being done today." Microsoft cut 15,000 positions. Salesforce eliminated 4,000 roles, stating AI reduced staffing needs. IBM replaced hundreds of HR positions with AI systems. We expect this to be the opening phase of a prolonged adjustment, not a one-time correction.

AI-driven efficiency gains create a fiscal paradox that policymakers have yet to address. When companies replace labor with AI, they economize on payroll—which reduces the payroll taxes that fund Social Security and Medicare. Simultaneously, displaced workers require unemployment benefits, retraining programs, and social services. The result: falling revenue and rising expenditure at precisely the moment demographic pressures are already straining government finances.

The opportunity is substantial. Goldman Sachs Research estimates AI could boost global GDP by 7%-trillions of dollars in new economic activity. But how exactly this productivity increase will materialize, and over what timeline, remains uncertain.

Much of the current AI investment thesis rests on assumptions about continued capability improvements. But key questions remain unresolved. Will scaling-building larger data centers and training on more data-produce genuine increases in intelligence? Or will it primarily increase processing throughput without meaningful advances in reasoning capability?

By intelligence, we mean the ability of AI systems to manage agentic workflows-coordinating multiple tasks, prompts, and processes autonomously. We also mean critical thinking, genuine insight generation, and self-directability. These capabilities remain deficient in current systems. AI can process and synthesize, but it struggles with the kind of judgment that experienced professionals bring to complex, ambiguous situations.

The most troubling aspect of AI-driven displacement is its asymmetric impact on young workers. Big Tech companies reduced new graduate hiring by 25% in 2024 compared to 2023. The share of jobs requiring three years of experience or less has dropped sharply in AI-exposed fields: software development positions fell from 43% to 28% requiring minimal experience; data analysis from 35% to 22%; consulting from 41% to 26%.

This matters for government finances as well. Entitlement systems depend on young workers entering the labor force, building skills, and paying taxes that support retirees. A generation struggling to find meaningful employment cannot fulfill this role. The demographic crisis outlined earlier is thus compounded by technological displacement at precisely the wrong moment.

Yet the same forces creating displacement are generating extraordinary opportunities for those positioned to capture them. Nvidia's market capitalization has increased more than tenfold since ChatGPT's launch. Data center construction has created over 110,000 jobs. The demand for AI infrastructure-computing power, energy, cooling systems, specialized real estate-has reshaped entire industries. The legal sector is already undergoing a grand disruption with firms such as Harvey streamlining legal tasks previously completed by associates earning \$300,000 per year. Small businesses who harness AI processes are also seeing margin expansion and increased scalability.

The distribution of gains, however, will be highly uneven. The World Economic Forum projects 170 million new roles emerging by 2030-but 77% of AI-related positions require master's degrees, and 18% require doctoral degrees. The winners will be those with capital to deploy, skills to adapt, and geographic flexibility to access opportunity wherever it emerges.

Conclusion: Positioning for What Comes Next

The themes we have outlined-unsustainable debt, demographic transformation, geopolitical fracturing, and technological disruption-are not independent phenomena. They reinforce and accelerate one another. Aging populations strain government finances, which increases debt burdens,

which forces fiscal responses that may include higher taxation. Geopolitical competition fragments markets, which disrupts supply chains, which accelerates automation. AI displaces workers, which reduces tax revenues, which worsens fiscal positions.

The purpose of this analysis is to present facts and trends as we see them, not to predict outcomes with false certainty. Throughout history, periods of profound change have created extraordinary opportunities for those prepared to seize them. The families that navigated previous transitions (the end of empire, the world wars, the collapse of Bretton Woods) often emerged stronger precisely because they understood what was happening while others remained in denial.

With that context in mind, we offer six principles that guide our work with clients navigating this environment:

1. Jurisdictional diversification is no longer optional. High-tax jurisdictions facing fiscal pressure will inevitably seek revenue from those with the least political power to resist—typically, the high earners who are immobile. Establishing legitimate presence in favorable jurisdictions before the need becomes acute is essential, in our view.

2. Mobility itself is an asset. Second citizenships and residencies provide optionality in an uncertain world—not as a renunciation of one's homeland, but as a means of preserving choices for oneself and one's children. A portfolio of residencies, and even property abroad, is prudent for fiscal and geopolitical reasons as much as lifestyle.

3. Understanding complexity creates advantage. Fragmentation of the global system rewards those who can navigate multiple tax regimes, regulatory environments, and currency zones while remaining compliant with evolving laws. We work with clients to develop tailored strategies that achieve this balance.

4. Time horizons matter. The changes we describe will unfold over years and decades, not months. This provides time for thoughtful action—but also creates the temptation to delay. The best time to plant a tree was twenty years ago; the second-best time is today.

5. Be antifragile, not fragile. Shocks are now the norm, not the exception. Arrange your affairs so that your wealth, your business, your investments, and your personal life are protected—or even benefit—when disruptions occur. The goal is not merely to survive volatility but to be positioned so that disorder becomes opportunity.

6. Do not discount tail risks that markets ignore. Equity markets are priced to perfection. Current valuations assume abundant compute, stable geopolitics, continued earnings acceleration, and no significant disruptions to the global order. Complacency is not a strategy. The time to hedge is when hedges are cheap, not when everyone is scrambling for protection.

At Grey River Associates, we remain committed to helping our clients navigate these transitions. The world is changing rapidly, but change always favors the prepared.

We wish you and your families a prosperous new year.

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Panama City, February 2026

A Note on Grey River in 2025

We had a strong 2025 at Grey River. We assisted dozens of clients across a range of engagements: Plan B residencies in Panama, Portugal, and the Caribbean for families seeking optionality. Restructuring of global businesses to optimize for the new tariff and tax environment. Opening wealth accounts in stable jurisdictions outside the reach of any single government. Estate planning and trust structures designed to preserve wealth across generations and borders. Tax-efficient exits from high-tax jurisdictions before rule changes took effect. Corporate relocations for entrepreneurs seeking friendlier operating environments.

The common thread across all these engagements was the same: clients who recognized that the world is changing and decided to act while they still had choices. They were not fleeing crisis. They were building resilience. They were creating what Nassim Taleb calls "antifragile" structures, setups that do not merely survive volatility but benefit from it.

This is the work we do. We help internationally-minded families and entrepreneurs construct wealth plans that remain robust regardless of which scenarios unfold. We cannot predict whether the next decade brings inflation or deflation, expansion or contraction, stability or disruption. But we can help you build structures that perform reasonably well across all of these outcomes.

If the themes in this letter resonate with your situation, we would welcome the opportunity to discuss how they apply to your specific circumstances. Every family's situation is different, and the right approach depends on where you are, where you want to be, and what constraints you face.

Throughout history, profound change has created extraordinary opportunity for the prepared. We look forward to continuing to serve you in 2026 and beyond.

About the Author



Nathan Elliott Shantz is Founder and Managing Partner of Grey River Associates. He has over a decade of experience in the capital markets, wealth management, and global tax and structuring. Prior to Grey River, he worked on two global ventures that each raised over \$50M of capital and went public on the Toronto Stock Exchange. Previously, he worked in investment banking in Toronto, Canada.

Mr. Shantz holds an MBA from Yale School of Management and a BBA in Finance with minors in Economics and Psychology from Wilfrid Laurier University, where he was a President's Gold Scholar. He is a CFA charterholder, holds the Advanced Diploma in International Taxation (ADIT), and is an Affiliate of the Society of Trust and Estate Practitioners (STEP).

He has traveled to over 70 countries and is fluent in Spanish and proficient in Portuguese.

Work with Grey River

Grey River Associates works with a limited number of families and entrepreneurs on international tax planning, wealth structuring, and jurisdictional diversification. We do not advertise and grow exclusively through referral.

Our expertise lies in working with clients on bespoke plans tailored to their unique circumstances. This includes restructuring companies for tax efficiency and operational flexibility, estate planning and offshore trust work to preserve wealth across generations, managing trading positions and providing comprehensive wealth management, structuring exits from businesses or investments, and providing advice on important legal matters where there may be a gap left by current counsel. We often serve as the connective tissue between lawyers, accountants, and investment managers, ensuring that all pieces work together toward a coherent strategy.

If the themes in this letter resonate with your situation, we welcome a confidential conversation to explore whether we might be of service.

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Endnotes and Sources

Global Debt and Fiscal Data

1. Global government debt (\$111 trillion): IMF World Economic Outlook, October 2025; Visual Capitalist, “Visualizing \$111 Trillion of Global Debt in 2025,” November 2025.
17. GDP 2024 figures: IMF World Economic Outlook Database, October 2025; Statistics Times compilation of IMF data.
2. U.S. federal debt (\$38.4 trillion): U.S. Congress Joint Economic Committee Monthly Debt Update, December 2025; U.S. Government Accountability Office, Financial Audit: Bureau of the Fiscal Service’s FY 2025 Schedules of Federal Debt.
3. U.S. net interest payments (\$981 billion FY2025): U.S. Congress Joint Economic Committee; Congressional Budget Office September 2025 projections.
4. Japan debt-to-GDP (237%): IMF World Economic Outlook, October 2025 (note: IMF updated figure to 230% in October 2025).

Demographic Data

5. Peak 65 statistics (11,400 daily, 73 million total): Alliance for Lifetime Income, Retirement Income Institute; Jason Fichtner, “Peak 65” research reports, 2024-2025.
6. Germany population 65+ (22%): Federal Statistical Office of Germany; Eurostat demographic projections.
7. Italy median age (48): UN Population Division; Worldometer demographic data (current figure: 49.9).
8. Japan aging population (30.2%, projections to 36.7% by 2045): Japan Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research, Population Projections for Japan 2023.
9. Social Security worker-to-retiree ratio: Social Security Administration historical data.

Market Performance Data

10. Gold 2025 performance (67%): World Gold Council, Gold Outlook 2026, December 2025 (reported 60%+ return through November); LBMA Gold Price data.
11. Silver 2025 performance (145%): US Global Investors, “Periodic Table of Commodities Returns,” 2025; Strategic Metals Invest (reported 148% gain).
12. S&P 500 2025 return, U.S. Dollar Index performance: Bloomberg market data; Trading Economics.

Geopolitical and Trade Data

13. China-Russia bilateral trade (\$245 billion): Chinese Ministry of Commerce; official Xinhua reports (official figure: \$244.8 billion for 2024).
14. Xi-Putin meetings (40+ times since 2013): Council on Foreign Relations, “China and Russia: Exploring Ties Between Two Authoritarian Powers”; official Chinese and Russian government records.
15. China purchases of Russian energy exports (47% crude oil, 46% coal, 27% pipeline gas): China General Administration of Customs; MERICS-OSW-UI China-Russia Dashboard.
16. TSMC market share (90%+ advanced chips): Semiconductor Industry Association; TSMC company reports.

Tax Rate Data

18. Top marginal tax rates: OECD Tax Database; KPMG Global Tax Tables 2025; respective national tax authorities. Rates include applicable social contributions and local taxes as indicated.
19. Special tax regimes (UK FIG, Portugal IFICI, Italy Impatriati, Greece programs): Official government publications from HM Revenue & Customs, Portuguese Tax Authority, Italian Revenue Agency, and Independent Authority for Public Revenue (Greece). Note: regimes subject to change.

This document is for informational purposes only and does not constitute investment, tax, or legal advice. Figures are subject to revision as official data is updated. Readers should consult qualified professionals for advice specific to their circumstances.