

## The Only Constant is Change, How are you keeping up?



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In an era defined by interconnected crises, from escalating geopolitical tensions to rapid technological shifts, the world feels increasingly unpredictable. In 2025, a sense of collective unease is fueled by ongoing wars, political polarization, and the profound societal impacts of climate change and artificial intelligence (AI). Amid this chaos, there is also an undercurrent of resilience, innovation, and a growing desire for meaningful connection and purpose.

#### 1. The Shift from Monetary to Fiscal Policy

After years of central banks using interest rate adjustments to fight inflation, the focus is shifting. Fiscal policy, involving government spending and tax policy, is expected to take center stage.

- **Fiscal Expansion:** Many countries, including the U.S. and Germany, are predicted to increase government spending to support their economies, leading to an increase in public deficits.
- **Central Bank Caution:** Central banks, particularly the U.S. Federal Reserve, are expected to be cautious with interest rate cuts, as inflation, though easing globally, remains a concern, particularly in the U.S. due to tariffs. The European Central Bank, in contrast, may continue with a more decisive easing cycle.

#### 1. Inflation and Interest Rate Dynamics

While global inflation is generally expected to fall, its trajectory will be uneven. The battle against inflation is complicated by new factors.

- **Uneven Disinflation:** Global headline inflation is forecast to decline, but some economies, especially those imposing new tariffs, may experience tariff-induced inflationary pressures.
- **Higher-for-Longer Rates:** While some interest rate cuts are expected, the overall trend is for rates to remain higher than pre-pandemic averages. This is partly due to the belief that the "neutral" interest rate, the rate that neither stimulates nor restricts growth, is higher than previously thought.

#### 1. The Impact of Artificial Intelligence on the Workforce



**HFS Wealth Advisors**  
HFS Wealth Advisors

[330-659-7140](tel:330-659-7140)

[hfswealthadvisors@hfswa.com](mailto:hfswealthadvisors@hfswa.com)

[www.hfswa.com](http://www.hfswa.com)



**Patrick Hammer, MSFS, AEP**  
Sr. Client Advisor and President  
Partner

[330-659-7140](tel:330-659-7140)

[hfswealthadvisors@hfswa.com](mailto:hfswealthadvisors@hfswa.com)

[www.hfswa.com](http://www.hfswa.com)



**Todd Rohrer, C(k)P® AIF®**  
Client Advisor

[330-659-7140](tel:330-659-7140)

[trohrer@hfswa.com](mailto:trohrer@hfswa.com)

AI is not just a technological trend; it's a major economic one. While it's expected to boost productivity, its impact on the workforce is already becoming apparent, particularly on entry-level jobs. Breakneck speed innovation and unexpected discoveries continue to transform human experience into both promising and unsettling ways.

- **Productivity Gains:** Generative AI is expected to significantly increase labor productivity, but the full benefits may take time to materialize due to "adjustment costs" within organizations.
- **Job Disruption:** A Stanford University study suggests that AI is disproportionately affecting young, entry-level workers. Occupations with routine, codified tasks, such as computer programming and administrative work, are at the highest risk of automation, while more experienced workers with tacit knowledge are less affected.
- **The "Shadow Productivity Economy":** Many employees are already using AI tools at work, often without their managers' knowledge. This covert adoption is creating a "shadow productivity economy" that is reshaping how work is done and raising new challenges around ethics and compliance for businesses.
- **AI advancement and ethics:** As AI becomes more sophisticated, its integration into daily life raises significant ethical questions. The release of increasingly advanced AI models, like OpenAI's GPT-5 in August, has ignited debates on authenticity, algorithmic bias, and the future of human-machine interaction.
- **Radical medical breakthroughs:** Scientists made startling progress in medical technology, including:
  - **Brain-linked AI:** Researchers successfully connected an AI system to a human brain via a non-invasive neural interface, potentially enabling telepathic communication and enhanced memory.
  - **Age-reversing bacteria:** The discovery of a 50,000-year-old bacterium resistant to cellular decay opened a new field of research for slowing or reversing the effects of aging.
  - **Artificial organs:** Scientists successfully engineered a fully functional human heart using bioprinting technology, a breakthrough that could end organ donor shortages.

## 1. Geopolitical and Trade Uncertainty

Geopolitical tensions and rising protectionism are significant headwinds for the global economy.

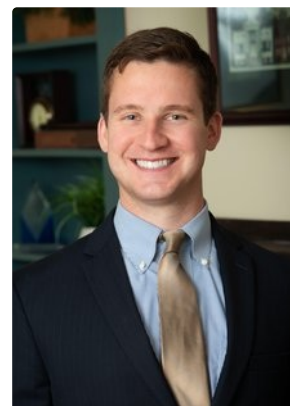
- **Trade Barriers:** The rise in trade barriers and heightened policy uncertainty are expected to weaken global trade and investment flow, particularly for developing countries that rely heavily on exports.
- **Reshaping Supply Chains:** Companies are likely to continue re-evaluating and restructuring their supply chains to build resilience and mitigate risks from political instability and trade disputes.

Overall, 2025 has been a year of sharp contrasts and cultural tensions. The rapid pace of change and overwhelming information flow have created a collective sense of anxiety. However, this is balanced by a rising cultural hunger for authenticity, discernment, and intentionality. Whether through scientific advancements that extend life or pop culture trends that emphasize sustainability, humanity continues to seek meaning and solutions amidst the chaos.

Written by: Todd Rohrer, CKP®, AIF® and Justin Hamlin, CFP®, AEP®

These are the opinions of Todd Rohrer and Justin Hamlin and not necessarily those of Cambridge, are for information purposes only, and should not be construed or acted upon as individualized investment

[www.hfswa.com](http://www.hfswa.com)



**Justin Hamlin, CFP®, AEP®**

Client Advisor

[330-659-7140](tel:330-659-7140)

[jhamlin@hfswa.com](mailto:jhamlin@hfswa.com)

[www.hfswa.com](http://www.hfswa.com)

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