Retirement Income – Reality, Facts and Solutions

CALAMOS INVESTMENTS

According to *The Wall Street Journal* in 2018, "more than 20% of Americans over 65 have an income that puts them below the poverty line." That compares unfavorably to the 12.7% level for all Americans as of 2016. Not surprisingly, a retiree's need for income to meet expenses has never been greater. To add to the problem, as we will discuss later on, the ability for Social Security to contribute to that effort becomes less likely over time. Accordingly, the need for retirees to receive income from other sources becomes even more imperative, if not urgent. Many senior citizens are in a financially precarious position as they enter retirement, which worsens as they age and deplete what little they have saved.

The issues surrounding and responsible for this conundrum are manyfold, and need to be considered in the context of possible solutions.

Relevant issues:

» Insufficient savings

» Longevity

» Unfunded Social Security and pensions

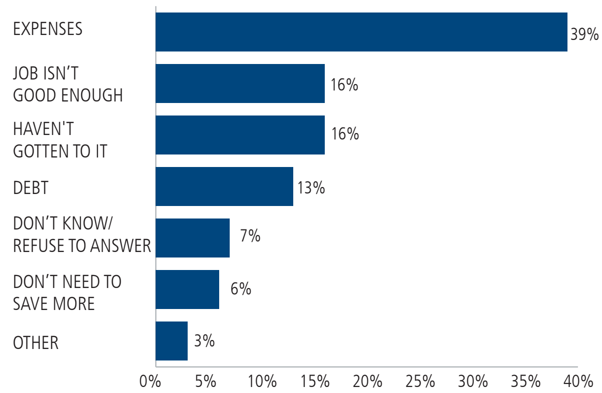
» Insufficient source of income

Insufficient Savings
Saving for Retirement, Do Not Procrastinate

As of March 2018, CNBC reports that 20% of Americans have no savings rate. Furthermore, over 40% of Americans, who do save, have less than $10,000 upon retirement. It is also estimated that half of the U.S. population will not be able to sustain their standard of living once they stop working. Per the chart below, there are a number of reasons why people are not saving for retirement.

According to the *Chicago Tribune* in 2017, many baby boomers plan to work after the age of 65, which may explain the low savings rates, given these expectations. However, employers seeking to cut costs are often looking to hire younger, less expensive workers. For example, currently 61% of Americans said they retired sooner than they anticipated (*The Washington Post*, 2018). Due to not being able to work as long as expected, or at an income that they were anticipating, retirees need savings to be immediate, as well as more meaningful and not deferred. Kicking the retirement savings can down the road is not a wise choice.

WHAT ARE THE MAIN REASONS YOU DON'T SAVE MORE MONEY?

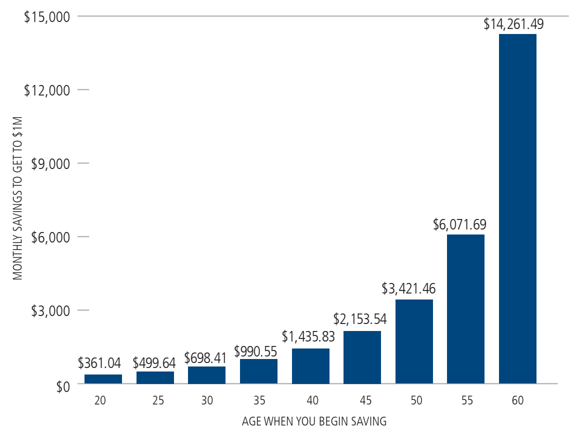


Source: CNBC, 2018

The power of compound returns is evident, as seen in the chart on the following page. Although younger workers may have less income from which to save, they do have the power of time to achieve their financial goals for later in life. Saving a relatively small amount per month may not seem much at the time. However, doing so in a disciplined fashion, with modest annual return expectations, can result in powerful outcomes over time. Conversely, middle-aged workers may have more disposable income to save; however, in this case, time is not their friend as the pressure mounts to save a greater amount to make up for lost time.

HOW MUCH YOU NEED TO SAVE PER MONTH TO GET TO $1M FOR RETIREMENT AT AGE 65

(6% Assumed Return Rate)



Source: Business Insider, 2014

Longevity
Longer Life Span and Increased Health Care Costs

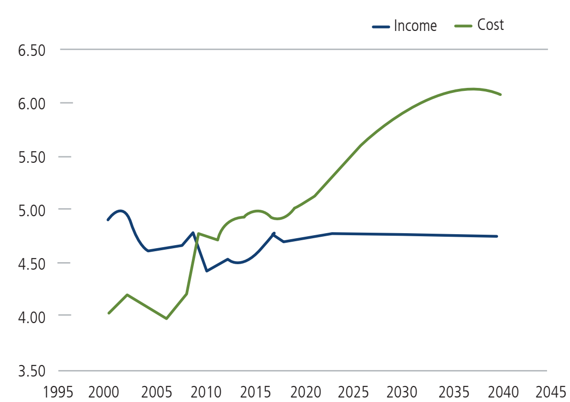
Longer reported life spans are nothing new, however, when considering retirement and how much money one needs to save, life expectancy is a critical factor in considering a savings plan. Living longer than expected can certainly increase the likelihood of more unforeseen costs in retirement. As people live longer, not only are they subject to bearing, in the aggregate, more "routine" living expenses, they are also more likely to incur more expensive health care costs associated with aging. According to the Social Security Commission, the average life expectancy for those alive at age 65 is 84 for males and 86 for females. However, this life expectancy is likely to move out further over time. According to a survey done by *USA Today* in 2016, financial advisors on average recommend planning life expectations of 91 years for men and 94 years for women when computing financial retirement models. Health care will likely continue to be the largest expense during retirement. The average estimate for retiree health care spending in 2017 was $275,000 per couple, up $15,000 from the year before (CNBC, 2017). This cost does not include long-term care costs, which *Forbes* estimated in 2017 to range from $18,200 to $97,455, per individual.

Unfunded Social Security and Pensions
Social Security – Will It Really Run Out?

Clearly, Social Security will face fiscal challenges. Currently, proceeds paid in to Social Security make up approximately 75% of the money that is paid out. Years of surplus money was put into a trust, which currently makes up the shortfall. However, according to the Social Security Administration's 2015 report, the trust is on track to be depleted by 2034. The Congressional Budget Office estimates that the shortfall could come as early as 2025. As seen in the chart below, the cost of Social Security will exceed the income, with the deficit only worsening over time, given the current dynamics.

SOCIAL SECURITY COST AND INCOME

(% of GDP)



Source: Business Insider, 2014

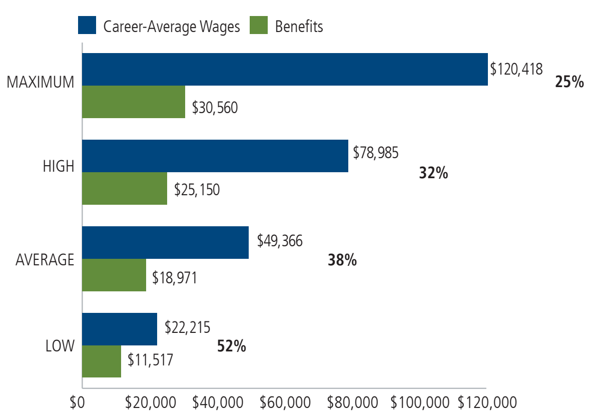
Retirement Income – Reality, Facts and Solutions

Insufficient Source of Income
Income Requirements

The National Academy of Social Insurance estimates that the average individual will require approximately 70-80% of his or her pre-retirement income, or "replacement income," to meet expenses after retirement. However, according to the U.S. Government Accountability Office, for people retiring in 2017, an estimated 20-40% of this replacement income will need to come from sources other than Social Security. This percentage will only increase, as people born after 1955 will progressively not be eligible for full Social Security benefits until later in life. For example, as evidenced below, depending on past earnings most retired Americans will only receive between 25% and 52% of their pre-retirement average annual income from Social Security. Given the current savings rate of individuals, we may conclude there is an assumption by many that Social Security can be relied upon to fund retirement. That clearly is not the case.

THE INCOME GAP

Social Security benefits compared to past earnings (2013)



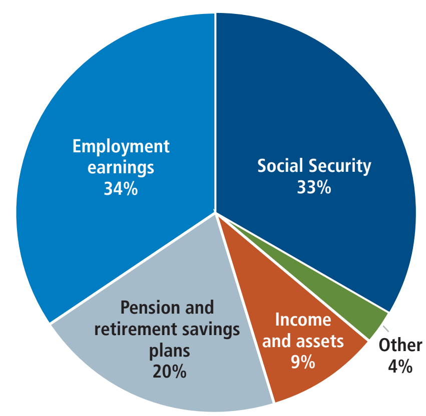
Source: National Academy of Social Insurance, Social Security Administration

The Income Gap
Income Sources

According to the Social Security Administration, Americans age 65 and older receive less than 35% of their income from Social Security, leaving the balance to be derived from other sources to make ends meet. The two largest of these, pensions and employment earnings, are likely to either wane over time or be eliminated as the individual ages. Many pension plans, particularly in the public sector, are underfunded. This means that either they will be reduced or need to rely on additional funding, presumably at the expense of the taxpayer, to remain solvent.

BREAKDOWN OF SOURCES OF INCOME

Sources of aggregate income for households with someone age 65 or older (2015)



Source: U.S. Government Accountability Office, Social Security Administration, 2015

Employment earnings are providing the majority of the income source for people over 65. As people live longer, and become less inclined to hold a job, this income is unlikely to be replaced. Per the graphs, in 2016, 56% of the work force was comprised of people aged 60-64, up from 46% in 1996. This suggests more seniors are working, but most likely at a lower compensation relative to younger workers. Clearly, as people move into their 70s, their participation in the workforce declines, and this major source of income for them is gone.

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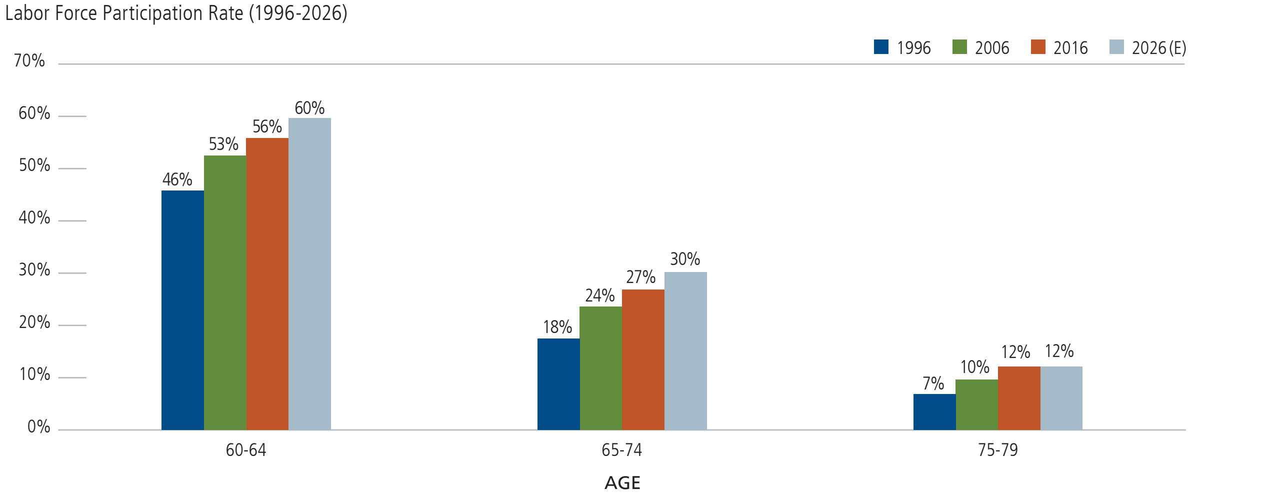
MORE PEOPLE 60 AND OLDER ARE IN THE LABOR FORCE, 1996-2026



Source: Department of Labor, U.S. Bureau of Labor Statistics—Employment Projections Survey

The Solution: Closed-End Funds

» Expert and active management

» Best asset managers available to you

» Diversified portfolios

» Big source of income

While closed-end funds may not solve for all of the issues discussed, particularly savings rates and retirement funds, they do address many of the problems that investors face in retirement. That's because they provide broad participation in all capital markets, as well as income production.

Closed-End Funds: Seeking Income

Given the current interest rate environment, many investors, regardless of age or employment status, are seeking ways to derive income from their investments. Many older investors are staying in cash or cash equivalents due to concern about volatility and principal loss, which has been prevalent over the last 10 years. Ironically, at a time when older investors need additional income, for the reasons mentioned, it has become more and more difficult to find. Others are focusing on bonds for income. However, given the recent behavior of interest rates, as well as future expectations, this could be devastating to the value of a longer-term bond portfolio.

Investment companies in the form of packaged products, such as open-end mutual funds, exchange traded funds or unit investment trusts, offer diversity of holdings and, in the case of mutual funds, professional management. These products can also provide exposure to a wide variety of economic sectors and asset classes. However, they are products that are not necessarily designed and structured, by virtue of the vehicles themselves, to produce income on a consistent basis. However, a fourth type of investment product, the closed-end fund, is a professionally managed product, generally tailored to optimize periodic distributions

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to shareholders on either a monthly or quarterly basis across a wide spectrum of investment objectives, not just bonds.

Closed-end funds encompass shares that are listed and traded on public exchanges. Accordingly, the market price of their shares fluctuate like those of other publicly traded securities. Unlike open-end mutual funds, a closed-end fund does not need to maintain cash reserves or sell securities to meet redemptions. Consequently, it has the flexibility to invest in less liquid securities, which may offer higher yielding investments.

Another important feature that distinguishes a closed-end fund from other investment products is the flexibility to borrow, on a limited basis, against its assets. This can be particularly attractive, especially during periods of low short-term interest rates. By borrowing at short-term rates and reinvesting at longer-term rates, the fund may be able to realize additional income by achieving a higher reinvestment rate relative to the borrowing cost.

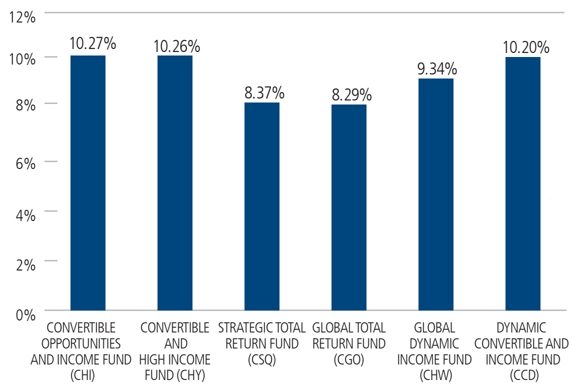
Calamos closed-end funds offer a wide range of asset diversification, sector participation and global exposure. These funds have offered solid investment performance, with current distribution rates above 8% per annum, as seen to the right.

Because of the diversification of investments pertaining to closed-end funds, investors now use the funds to supplement their portfolios. Due to the distributions that CEFs may contribute, adding them to a portfolio's asset allocation may result in a meaningful increase to income.

Calamos closed-end fund current annualized distribution rates show the power of active management and leverage.

CALAMOS CLOSED-END FUND CURRENT ANNUALIZED DISTRIBUTION RATES*

Data as of 3/31/18



*Current Annualized Distribution Rate is the Fund's most recent distribution, expressed as an annualized percentage of the Fund's current market price per share.

For CCD, the most recent distribution was $0.1670 per share. Based on our current estimates, we anticipate that approximately $0.1670 is paid from ordinary income and $0.0000 of the distribution represents a return of capital

For CHI, the most recent distribution was $0.0950 per share. Based on our current estimates, we anticipate that approximately $0.0788 is paid from ordinary income and $0.0162 of the distribution represents a return of capital

For CHY, the most recent distribution was $0.1000 per share. Based on our current estimates, we anticipate that approximately $0.0778 is paid from ordinary income and $0.0222 of the distribution represents a return of capital.

For CSQ, the most recent distribution was $0.0825 per share. Based on our current estimates, we anticipate that approximately $0.0434 is paid from ordinary income and $0.0391 of the distribution represents a return of capital.

For CGO, the most recent distribution was $0.1000 per share. Based on our current estimates, we anticipate that approximately $0.0671 is paid from ordinary income and $0.0329 of the distribution represents a return of capital.

For CHW, the most recent distribution was $0.0700 per share. Based on our current estimates, we anticipate that approximately $0.0700 is paid from ordinary income and $0.0000 of the distribution represents a return of capital.

Estimates are calculated on a tax basis rather than on a generally accepted accounting principles (GAAP) basis, but should not be used for tax reporting purposes. Distributions are subject to re-characterization for tax purposes after the end of the fiscal year. This information is not legal or tax advice. Consult a professional regarding your specific legal or tax matters. Under the Funds' level rate distribution policy, distributions paid to common shareholders may include net investment income, net realized short-term capital gains and return of capital. When the net investment income and net realized short-term capital gains are not sufficient, a portion of the level rate distribution will be a return of capital. In addition, a limited number of distributions per calendar year may include net realized long-term capital gains. Distribution rates may vary.

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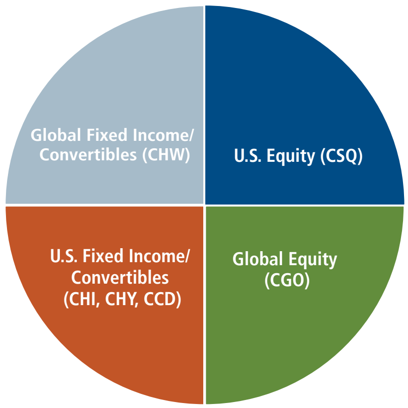
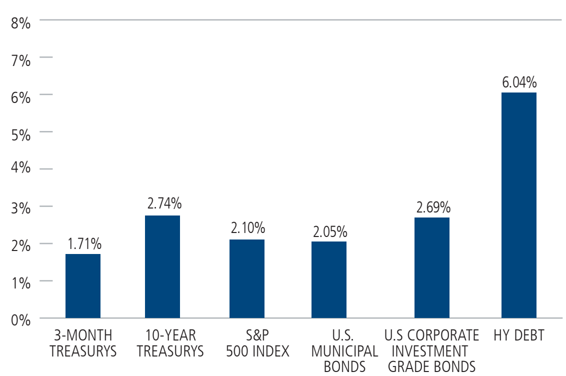
Calamos CEFs invest in a number of assets that can be used to supplement a client's portfolio:



Passive indexes are not actively managed for returns, nor do they employ leverage to earn additional income.

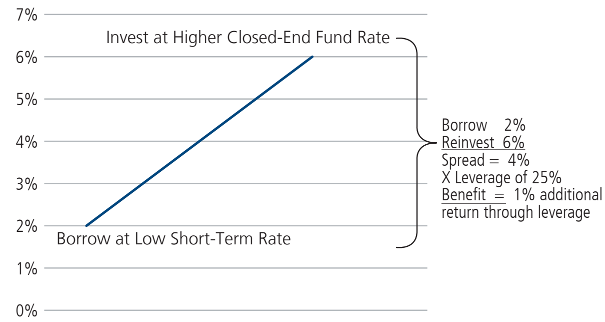
CURRENT YIELDS

Data as of 3/31/18



Source: Morningstar, CNBC.
Due to the short-term nature of 3-month Treasurys, they are subject to reinvestment risk.
10-year Treasurys are subject to interest rate risk.
The S&P 500 Index is subject to equity risk.
U.S. Municipal Bonds carry special risks according to bond type, but generally are subject to credit risk tied to the issuing municipality.
U.S. Corporate IG Bonds are subject to credit risk tied to issuing corporations.

HYPOTHETICAL EXAMPLE: LEVERAGE



Summary: Challenge and Solution

In October of 2017, CNBC reported that 10,000 baby boomers, men and women, retire per day. Of that population, 40% have not saved for retirement. Social Security alone will not provide enough income and people are not saving enough to offset the disappearance of pensions. Health care will be the biggest expense for retirees, and the costs are only growing.

Today's retirees are faced with a particularly challenging fiscal dilemma. Not only are their traditional sources of income such as pension and Social Security benefits offering less, low returns on lower risk assets in their portfolios, due to low interest rates, are also contributing to the stress of meeting monthly financial obligations. The onus of financing retirement is increasingly becoming the responsibility of the individual as opposed to the employer or the government, at least in the private sector.

As stocks typically pay quarterly dividends and bonds generally disburse interest semiannually, these cash flows must be properly budgeted by individuals to accommodate

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most expenses that are due monthly. Recognizing this, Calamos closed-end funds have a managed distribution policy in which we aim to keep monthly dividends consistent through the disbursement of net investment income, net realized short-term capital gains and, if necessary, return of capital. Distributions are set at levels that we believe are sustainable for the long term to help investors better manage their cash flow, as well as to help optimize the market price of the fund while preserving net asset value.

Contact your Calamos investment professional to discuss the benefits of investing in our suite of closed-end funds.

Please visit our closed-end fund website at www.calamos.com/cef.

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Important Fund Information

The goal of the level-rate distribution policy is to provide investors a predictable, though not assured, level of cash flow. Monthly distributions paid may include net investment income, net realized short-term capital gains and, if necessary, return of capital. Maintenance of this policy may increase transaction and tax costs associated with the fund.

Leverage creates risk which may adversely affect return, including the likelihood of greater volatility of net asset value and market price of common shares; and fluctuations in the variable rates of the leverage financing. The ratio is the percent of total managed assets.

Risk

Investing in our securities involves certain risks. You could lose some or all of your investment.

Investments by the funds in lower-rated securities involve substantial risk of loss and present greater risks than investments in higher rated securities, including less liquidity and increased price sensitivity to changing interest rates and to a deteriorating economic environment. Fixed income securities are subject to interest-rate risk; as interest rates go up, the value of debt securities in the Funds' portfolio generally will decline. There are certain risks associated with an investment in a convertible bond such as default risk—that the company issuing a convertible security may be unable to repay principal and interest—and interest rate risk—that the convertible may decrease in value if interest rates increase.

Global Total Return and Global Dynamic Income Funds may invest in derivative securities. The use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. There is no assurance that any derivative strategy used by the Funds will succeed. One of the risks associated with purchasing an option is that the Funds pay a premium whether or not an option is exercised.

Shares of closed-end funds frequently trade at a market price that is below their net asset value.

As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Investment policies, management fees and other matters of interest to prospective investors may be found in each closed-end fund prospectus.

Information contained herein is for informational purposes only and should not be considered investment advice.

CALAMOS® INVESTMENTS

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