BABY BOOMER: Update Target and Smucker Will Be Called Away

April options stop trading at the close today, and our Target (TGT) and J.M. Smucker (SJM) will be called away this weekend.

Target (TGT)

We wrote an April $67.50 call on our TGT position. The stock will be called away this weekend.

Our cost adjusted basis is $62.49. Our profit will be $501.

We also collected $199 in dividends. Our total return (profit plus dividends divided by cost) will be about 11.20%. We recommended the stock last February, so our annualized return will be about 9.59%.

TGT dividend has a high growth rate, so if you’re an experienced investor you may consider rolling up the option much further and continue to collect the growing dividend.

Below is the dividend history for TGT. It’s higher than most of the companies I follow.

TGT		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Dividend		$ 1.32	$ 1.10	$ 1.09	$ 0.66	$ 0.60	$ 0.44	$ 0.36	$ 0.30	$ 0.26	$ 0.26	
Payout Ratio		29.00%	26.00%	25.00%	20%	21%	13%	11%	11%	13%	13%	
Dividend Growth		20.00%	0.92%	65.15%	10.00%	36.36%	22.22%	20.00%	15.38%	0.00%	21.12%	AVG.

Its dividend did grow about 20% in 2014.

J.M. Smucker Company (SJM)

We wrote an April $110 call on our SJM position. The stock will be called away this weekend.

Our cost adjusted basis is $100.46. Our profit will be $954.

We also collect a $64 dividend. Our total return (profit plus dividends divided by cost) will be about 10.13% in less than 6 months. We recommended the stock last December.

SJM also has a history of high dividend growth. Experienced investors may want to consider rolling up their option to continue to receive the growing dividend.

Below is the dividend history for SJM:

SJM			2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Dividend			2.26	2.04	1.88	1.64	1.40	1.28	1.12	1.08	1.00	0.92	
Payout Ratio			0.42	0.41	0.38	0.40	0.35	0.41	0.37	0.39	0.41	0.41	AVERAGE
Dividend Growth				10.78%	8.51%	14.63%	17.14%	9.37%	14.29%	3.70%	8.00%		11%

The dividend growth is above average.

We can’t keep all the stocks we would like to because we have to make room for more recommendations.

Also we are late in the cycle and risks are rising, so we want to be less invested in case we get an overdue correction or bear market.

We want to keep our powder dry to take advantage of any significant declines in dividend paying stocks.