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Sick of stocks? Here are 7 alternatives

Wall Street isn't the only way to earn a profit. Trouble is, some ways work, some don't.

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By Martine Costello, CNN/Money Staff Writer

NEW YORK (CNN/Money) - Your losses are so big you would have thought you invested in a land development on a Florida swamp.

But no. You bought IBM, GE and WorldCom. Nevertheless, your money is nearly gone, and you're so fed up you're ready to invest in anything but stocks.

Of course, no sane person would advocate a mass exodus out of Wall Street. Market downdrafts are inevitable, and they're also a great time to pick up quality stocks at dirt-cheap prices. While bears come and go, no one has ever lost money in stocks over periods of 15 years or more.

"We tell people to keep investing," said Bob O'Hara, vice president of development at the National Association of Investors Corp., a non-profit investors group. "The price is right. Chances are that will pay off for you a lot more than any other options."

Still, the accounting irregularities and plunging stock prices of U.S. companies have been chipping away at the collective psyche of retail investors, making them think long and hard about other ways to make a buck.

So we took a look at seven other options -- from mainstream to wacky. In some cases, you can earn a modest profit if you know what you're doing. In other cases, let the buyer beware!

Investing in Uncle Sam

Nothing will make you sleep better at night than a plain-vanilla money market fund, which invests in U.S. Treasurys. With interest rates on the rise, money market funds are likely to earn a solid and safe 3 to 4 percent in the next few years.

While money markets aren't insured like a bank CD, retail investors have never lost money in them, said Peter Crane, managing editor of iMoneyNet, which tracks money market funds.

For investors with less than $50,000, the most important thing to look for is convenience. If you already have a Schwab investing account, you should choose a Schwab money market. You can also find money markets that have checking account services and other features. But if you have a big chunk of cash to invest, search for the highest yield, because that's when it makes the most difference.

Do the bond thing

Bonds, of course, are another traditional alternative to stocks. For most people with years to go before retirement, an intermediate-term bond fund is a smart place to start. They invest in government and high-quality corporate bonds and earned an average of 9.6 percent in 2000 and 7.4 percent last year, including the yield, according to Morningstar. This year, they're up 2.5 percent through July 8, compared with a loss of 13.2 percent for the S&P 500. The trailing 12-month yield is 5 percent as of May 31.

Some solid intermediate-term bond funds include Metropolitan West Total Return Bond, Fremont Bond and FPA New Income. (For more on picking bond funds, click here.)

Another option that's gaining in popularity are inflation-indexed bonds, which are pegged to the Consumer Price Index, the main yardstick of inflation. Formally known as Treasury Inflation-Indexed Securities, or TIPS, these bonds will hold their value better than traditional bonds. One way to get your TIPS fix is through Vanguard Inflation Protected Securities. FPA manager Robert Rodriguez is also a fan of them.

Profiting on real estate

You learned your lesson with stocks: Don't assume any investment will make you rich overnight. But with smart real estate investing, you can earn a profit of 50 to 100 percent, said Bill Bronchick, co-author of the book "Flipping Properties," and president of the Colorado Association of Real Estate Investors.

The best method? Buy cheap or distressed properties. They may be owned by a bank, or simply run down. They could be on the market for a fast sale because of a divorce. Or, they could be in foreclosure because the owners can't keep up with the mortgage payments. Fix them up and sell them right away -- a process Bronchick calls "flipping."

Look for single-family homes and condominiums, because they're easier to finance and sell. The best place to invest is in working-class neighborhoods because they withstand downturns better than upscale neighborhoods. Just make sure you know the local market inside and out -- and know the neighborhood where you invest. And be forewarned, you'll pay capital gains on your profits. The short-term capital gains rate, which is your ordinary income tax bracket, is applied to assets held less than a year. The long-term rate, for assets held at least a year, is 20 percent.

The REIT stuff

Then again, maybe you don't want to deal with the hassle of real estate sales. If so, consider Real Estate Investment Trusts (REITs), which are corporations that use the pooled capital of many investors to buy into mortgage loans and income-producing property such as apartments and office buildings.

While the Dow and Nasdaq are trading at 1998 levels, the main REIT index was up a healthy 10.1 percent through July 8, according to the National Association of Real Estate Investment Trusts. Even better, REITs pay a dividend -- the average annualized dividend is 6.8 percent. On a $10,000 investment, you'd earn $680 in dividend income over 12 months.

Some top real estate funds include Cohen and Steers Realty Shares and Columbia Real Estate Equity. (For more recommended funds, click here for the MONEY 100.)

It's no joke -- comics can pay

In 1938, DC Comics published a title called "Action Comics" featuring this guy with a red cape and blue tights. They called him Superman -- maybe you've heard of him? After all the movies, radio programs, TV shows, and every kind of product that has room for a red "S," Superman has become a part of modern culture. That first issue carried a cover price of 10 cents. Today, depending upon the condition, you can easily get six figures for the same comic book.

On eBay this week, Spiderman comic books were advertised for as much as $2,500, while a vintage Captain America Comics was priced at $4,000.

"There's probably 1,400 or 1,500 comic book items on the site at any time," said eBay spokesman Kevin Pursglove. "It remains a very popular area of the site. I'm sure people buy and sell comic books the same way they do stocks, other securities or fine wine."

But obviously you need to know what you're doing to make money in the field. Don't invest if you don't know the difference between Lex Luthor and Dr. Doom. (Click here for more on comic book investing.)

Got spare change?

In uncertain times, coin investing may seem comforting -- they're something you can hold in your hand and lock away in a safe. If you buy a coin that's rare or part of a sought-after series, you could double your money in just a few years. If you buy a coin and hold it for a long time -- say 15 years or so -- you could sell it for three or four times its value.

But like stocks and real estate, coin investing is no sure thing. You need to find a dealer you can trust, who can tell the difference between a winner and a dud, said Anthony Swiatek, a New York professional numismatist. He is also editor of the coin investing and collecting newsletter *The Swiatek Report*.

For example, you may have bought a 1968 series of dimes issued by the U.S. mint. Some of the dimes were missing the "S" stamp on them -- the mark of the San Francisco mint. If you bought the dimes with the "S," they're worth $4 or $5. If you buy the more distinctive dimes without the "S," the price is around $6,000.

Swiateck recommends commemorative coins as good investments. For example, the U.S. Mint issued a $5 piece in 1997 for baseball slugger Jackie Robinson. Now, those coins are worth more than $5,000 each.

Investing in feathered friends

Now, we couldn't do a story on alternative investments without throwing something truly offbeat into the mix. And emu investing -- they're big, scary birds that resemble ostriches -- certainly applies.

When clients of Lloyd Stegent, a certified financial planner in Houston, proposed an investment in emus several years back, he tried to talk them out of it. The thinking was you could use virtually every part of the bird -- the meat was touted as healthier than chicken or turkey, and the hide would replace traditional cow leather.

The couple ignored Stegent's advise and bought two eggs for $10,000, hoping they would have a male and female that they could eventually breed. They paid a promoter the costs to take care of the birds.

Unfortunately emu investing never took off (big surprise) and Stegent's clients lost everything. Meanwhile, there are parts of Texas that are overrun with abandoned emus.

The lesson there? If it sounds too good to be true, it is. ■

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