3 Ways to Reignite Your IRA

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We love IRAs. Traditional, Roth, SEP, rollover, all of 'em ... with an IRA, you can invest in nearly anything, get favorable treatment (like reduced fees or lowered minimum investments) from many brokerages and fund firms, and enjoy terrific tax advantages.

But if you're new to IRAs, or if your only investment experience is selecting the options from the limited menu offered by your 401(k) -- or worse, buying a dot-com stock in late 1999 -- the investment freedom offered by an IRA can seem daunting. But have no fear, Fool. We're here to help.

While some investors do hold relatively esoteric investments like commercial real estate or hedge funds in their IRAs, the stock market is the sensible place for most of us to invest. Nothing else builds wealth for the average investor like the stock market's inflation protection, capital appreciation, and compounding effect over time.

Getting into the stock market via your IRA is easier than ever. Our IRA Center can help you learn everything you need to know about starting an account and picking investments.

Here are three basic approaches to IRA stock investing, ranging from the *extremely* simple to the *somewhat* simple. Feel free to mix and match them as your investing skills and confidence increase.

Sticking with the index
Low-cost mutual funds that seek to match the performance of an index are extremely popular IRA choices, and for good reason. Holding an index fund pretty much guarantees that you won't underperform the market over time. If we had to pick one investment that we couldn't touch for 20 years, index funds would be on the short list of choices. They're as foolproof as stock investing gets.

Low-cost funds and exchange-traded funds like the **Vanguard Total Stock Market ETF** (VTI) let you own portions of companies from megacap **Wal-Mart** (NYSE: WMT) to tiny **Ebix** (Nasdaq: EBIX). As long as you stay away from broker-sold index funds with high fees, there's really only one downside to an index fund: You'll never *beat* the market. But for investors who don't want the risk or work of stock-picking, and who can meet their retirement goals with a market-average return, that's just fine.

Buy stocks
You're already here at The Motley Fool, perhaps the best place in the whole known universe to learn how to choose and buy good stocks. Buying good stocks when they're selling at a discount to their intrinsic value is *the* way for an individual investor to generate above-market returns while managing long-term risk.

If you're new to stock-picking, you can start your education right now by reading through our Investing Basics collection.

And for some great investing ideas, check out our free Motley Fool CAPS community intelligence service, where the best stock pickers in Fooldom pitch their favorite investments for all to see. Five-star rated companies such as **Activision Blizzard** (Nasdaq: ATVI), **Deere** (NYSE: DE), and **SYSCO** (NYSE: SYY) could help fund a retirement in style ... but you'll never know unless you check 'em out!

Of course, that's where a long-term stock-picking strategy fails for some investors. If you don't have the time or inclination to research stocks and monitor your portfolio carefully year after year, it's hard to consistently stay ahead of the market with a stock portfolio. If this describes you, carefully consider the next option.

Hire someone to buy stocks for you

If you have several million dollars in your IRA, you'll have no trouble finding a capable investment manager to help you out. But if you don't, you can still get the services of a professional manager -- via an actively managed mutual fund.

Unfortunately, the mutual fund business is full of funds with high fees and various institutional constraints that ensure that they'll underperform the market over the long term. There are exceptions, though ... if you know how to find them.

For instance, the **CGMFocus** (CGMFX) fund has put in a stellar performance over the years, with recent, timely purchases of stocks like **Morgan Stanley** (NYSE: MS) and **Goldman Sachs** (NYSE: GS).

To learn more about other great ways to reignite your IRA after the damage it has endured during the bear market, take a closer look at our *Rule Your Retirement* newsletter. You can click here to get yourself a 30-day free trial, which will give you access to current and past issues, along with a number of additional resources. There are absolutely no hidden costs or an obligation to buy.

Are you making the biggest single mistake you can make with your retirement portfolio? Fool contributor John Rosevear tells you right here what it is and how you can avoid it.

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