At home I haven't played a CD for quite a while. Using iTunes and ripped all my CDs to either AIFF or Apple Lossless. Itunes is very good for this, and it's free. :)

I use another drive for backup of my library via Carbon Copy Cloner, which does it automatically whenever I power up my b-u drive.

I found out, as you did, that Wave files don't hold metadata like artwork, so it's either AIFF or Apple Lossless for me. I go AIFF for material I might want to edit (I work in the sound field) and Lossless for music I will only want to listen to. I do that because I can directly edit AIFF files in other programs. The lossless stuff would have to be converted. However, Apple lossless saves a little bit of HD space.

I only use my iPod when traveling. So the option to convert to 128kbit AAC for the iPod only is fine for me. I can then leave my library uncompressed.

I do download some music online from iTunes or Amazon when I can't wait for a CD to be delivered. Sometimes there is no CD option. :)

I also listen to some internet radio stations via iTunes.