**MEDIA COVERAGE**

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BUSINESS
**DEBT WISH We've seen its crippling effects, so why are Aussies so blase about debt?**
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THIS week I had dinner with a super-sharp senior investment banker from the US.

How sharp?

Well, he mentally calculated the value of the seven-course meal, including wine and coffee, added a 10 per cent tip, divided it by our party of four, and told us exactly what we each owed -- all in the time it took the waiter to smile and put the bill on the table.

And he was right, down to the dollar.

Barefoot: ``So where's the market heading?"

Banker: ``I have absolutely no idea."

As we finished our dinner, we discussed three possible outcomes of the impending debt-induced turmoil.

First, governments around the world continue to print money to reduce the cost of their debts, leading to a nasty and prolonged increase in our cost of living.

Second, despite the latest bailout plans, European governments could still make a souvlaki of the Greek default, triggering a run on the weaker European countries' banks, and causing a financial fall similar to that of 2008.

Third, the world manages to muddle through without tripping off the debt-wire, but we have a decade or so of low economic growth while we continue paying down our debts.

None of these scenarios was the dessert I was hoping for. But none will affect us in Australia.

Will they?

Our debt delusion

THIS week I also caught up with a 36-year veteran of the debt collection game.

Roger Mendleson is founder and chief of **Prushka**, the country's largest privately owned collections company, which chases debts on behalf of about 43,000 mostly small businesses (like your local plumber or local vet).

``What I'm seeing is a little alarming, and I'm not one to be running around saying the sky is falling," Roger says.

``You could say we're the canary in the coal mine -- we see what's happening before it shows up in the official figures."

Right now his books are showing that the number of clients opting to repay their debts via instalments, rather than the preferred upfront collection, has risen 35 per cent since this time last year.

``That's a massive jump, and it suggests the household sector is under significant pressure," he says.

What's got Roger really scratching his head, though, is that this is happening against a backdrop of low unemployment, relatively low interest rates, and housing prices which (the property pushers are at pains to tell us) have slowed rather than slumped.

What gives?

Fact is, Australia has one of the highest rates of household debt to disposable income in the world, and it's slowly starting to bite.

Let's take a look at the two groups that are shovelling a disproportionate amount of their disposable income into debts: low-income earners and first homebuyers.

This week in Canberra, Financial Services Minister Bill Shorten has been attempting to clean up the loan shark shops, which often charge low-income earners upwards of 1000 per cent on their loans, and more often than not end up swallowing their Centrelink payments.

These predators are lobbying hard (with business booming, they can afford to).

According to research by the National Australia Bank, an astounding 2.65 million Aussies -- one in seven! -- are financially excluded from mainstream banking, and as a result would struggle to raise $3000 from a bank if needed in an emergency.

Then there are the first homebuyers.

According to documents released by the Reserve Bank under Freedom of Information, the RBA is worried that first homebuyers ``overstretched" themselves in the boom years from 2003 to 2007.

Then in 2008, when prices were still at their peak, tens of thousands of them pulled forward their purchasing decisions as a consequence of the Rudd government's doubling of the First Home Buyers Grant, and interest rates at multi-generational lows.

A lot of these people have pushed themselves close to the edge, and you've got to wonder what happens to them if things turn really bad.

Preparing for the storm

NONE of this doom and gloom has done anything to diminish my desire to be an investor -- just the opposite.

In fact, I was talking to a cranky old stockbroker last week who was crying into his beer about the herd mentality of the market: ``Most people call me when the share market's up. But if you want to get rich, you need to get interested when no-one else is." (Hold the phone -- we're not there yet.)

While the overall market may struggle along for years, tough times can be a once-in-a-lifetime opportunity to buy truly great businesses at bargain prices.

That's why I'm beginning to compile a share market crash shopping list. Here are a few companies on my list:

Coca-Cola: Let's be honest, Barnaby Joyce could run Coke and it would still make shedloads of dough.

It has one of the world's most recognisable brands, insane profit margins on what is just sugar and water, an all-but-sewn-up market that spits out upstart rivals (hello, Virgin Cola), and a relatively untapped Chinese market.

Berkshire Hathaway (of which I am already a long-term shareholder): Run by legendary investor Warren Buffett, this is an investment company whose assorted businesses throw off about $1 billion a month in earnings, all of which Buffett invests in undervalued companies.

Last month, he announced he'd found another gem -- Berkshire Hathaway.

After 40 years he's broken with tradition and revealed he'll buy back his own shares, suggesting it was ``like getting dollar bills for 90c".

Woolworths: Even though retailing is in a slump, Woolies has a stranglehold over people's pockets.

Between Woolies and Coles, 25c in every dollar we spend at retail outlets ends up in one of their tills, according to researchers IBISWorld. That's one of the highest concentrations in the world (just ask the Australian Competition & Consumer Commission).

In truth, I'm always looking but rarely buying.

However, I've learned that if you make a habit of kicking tyres you'll recognise a dirt-cheap Ferrari when you see one. And given that we seem to be quickly unwinding from a 25-year borrowing binge, opportunity could soon bust our door down.

Tread your own path!

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