QAPITA

SAFE vs KISS *Notes*

A founder's guide to comparing convertible instruments and why one of them has quietly disappeared from most 2026 term sheets.

TABLE OF CONTENTS

What's inside

01 · THE LANDSCAPE

Why Convertible Securities Exist

Pricing a company that has no revenue, no comparable, and sometimes no product is a guessing game. Traditional priced equity rounds force that guess early and expensive negotiations over a number nobody can defend. Convertible securities solved this by deferring the valuation conversation to a later round, when there's more evidence to price against.

Convertible notes were the first attempt: a loan today, equity tomorrow. But notes carry interest, maturity dates, and lender-style negotiation expensive and slow for a $25,000 angel check. Two accelerators independently set out to fix that.

2013 · Y Combinator

Launches the SAFE

A single-page instrument built to remove interest, maturity, and negotiation almost entirely.

2014 · 500 Startups

Launches the KISS

A middle path, SAFE-like simplicity, with investor protections borrowed from convertible notes.

Both documents are free, open-source, and designed to convert into preferred stock at the next priced round. Everything that follows in this guide is about where they diverge and why, a decade later, only one of them still dominates the market.

02 · THE INSTRUMENT

SAFE: Simple Agreement for Future Equity

A SAFE is not debt. It has no interest rate and no maturity date it simply sits on the cap table as a promise of future shares until a priced round, acquisition, or dissolution triggers conversion. Since the 2018 post-money update, it's the closest thing the US market has to a fundraising standard.

No interest, no maturity

Nothing accrues and nothing comes due it converts or it doesn't.

Four standard flavors

Cap only · Discount only · Cap + discount · MFN, no cap or discount.

Post-money by default

Since 2018, the cap defines your ownership stake directly dilution math is explicit up front.

One document, rarely negotiated

Free YC templates mean most SAFEs close with little to no legal back-and-forth.

2026 STANDARD

The post-money, cap-only SAFE (no discount) is now the dominant structure used in 61% of SAFEs issued in 2025, per Carta. When a discount is included, it's almost always exactly 20%.

How the cap and discount actually interact

A cap and a discount are two separate ceilings on price, and whichever produces the lower conversion price for the investor is the one that applies not whichever the founder assumed. Say a SAFE carries a $8M cap and a 20% discount, and the startup later raises at a $1.00 share price implied by a $12M valuation. The discount alone gives the investor $0.80 a share. But the $8M cap, applied against that same round, implies roughly $0.67 a share cheaper still. The cap wins, and every SAFE holder converts at the lower price. This is the single most common source of founder surprise at a first priced round: both terms are always live at once.

©2026 Qapita

03 · THE INSTRUMENT

KISS: Keep It Simple Security

500 Startups built the KISS as a hybrid: SAFE-style simplicity, with several investor protections restored from the convertible note world. It comes in two flavors Debt and Equity and both are more textured, term-wise, than a standard SAFE.

Two structural versions

Debt: accrues 5% interest, 18-month maturity, repayable if unconverted. Equity: no interest or maturity, closer to a SAFE.

Most Favored Nation, standard

If the company later issues better terms to anyone else, existing KISS holders can claim them too.

Built-in investor rights

Information rights and pro-rata participation rights for major investors are part of the standard document.

2x downside protection

On an early sale or dissolution, KISS holders can be entitled to a multiple of their investment not just principal back.

THE TRADE-OFF

Every protection added for the investor is a term the founder has to live with. The KISS was designed to make that trade explicit, rather than negotiated deal by deal.

Debt or Equity? Why the choice isn’t cosmetic

The two KISS versions aren't just a formatting choice. Take a $200,000 investment on KISS Debt at 5% interest with an 18-month maturity: if the company hasn't closed a priced round by month 18, the investor can demand conversion into a new series of preferred stock at the cap or, in some drafts, repayment of principal plus accrued interest, roughly $215,000. The Equity version never puts that clock on the founder, but it also gives up the investor's fallback if the company stalls. Founders juggling a slow fundraising timeline should treat this as a real decision, not boilerplate to skim past.

©2026 Qapita

04 · THE COMPARISON

Every Key Term, Side by Side

Both instruments share a purpose. They rarely share terms. Here's the full picture, one row at a time.

Term	SAFE	KISS
Valuation cap	Optional (depends on version)	Standard on nearly every version
Discount	Optional (depends on version)	Standard, typically 20%
Interest	None, ever	Debt version only, ~5%
Maturity date	None, ever	Debt version: ~18 months
MFN clause	Not standard (can be added)	Standard on most versions
Investor rights	Pro-rata after next round only	Info rights + pro-rata, built in
Terms per investor	Can vary, deal by deal	Identical within a series

Read across any single row and the pattern is consistent: SAFE leaves a term out unless the deal specifically calls for it, while KISS builds the investor-favorable version in by default. That's not an accident it's the two documents' founding philosophies made concrete. A founder reviewing a KISS for the first time often assumes the MFN clause or the built-in information rights are unusual asks from this particular investor. They're not; they're simply what the 500 Startups template ships with. Knowing which terms are structural to the instrument, versus specific to your negotiation, changes what's actually worth pushing back on.

©2026 Qapita

05 · THE SCENARIOS

What Happens at Conversion, Sale or Shutdown

Terms on paper matter less than what they do when money is actually on the line. Three moments decide that.

Equity financing round

SAFE converts automatically at whichever is lower: the cap or the discounted price. KISS converts the same way, but only once the round clears its minimum size (commonly $1M) or on investor election after maturity.

Sale of the company

Both let the investor choose: convert to common at the cap, or take their money back. KISS often sweetens the payout a 2x multiple on the original investment rather than a flat 1x return.

Insolvency or shutdown

SAFE holders are paid back their investment amount, nothing more. KISS holders can be entitled to a multiple of their investment plus any accrued interest, ahead of common stockholders.

Notice the throughline: SAFE optimizes for the fewest possible ways this can go wrong for the founder, while KISS optimizes for the fewest ways it can go wrong for the investor. Neither is dishonest about it nor it's printed plainly in each template. The mismatch only becomes a problem when a founder signs a KISS assuming it behaves like a SAFE.

05 · THE SCENARIOS

Investor Rights & Company Representations

Beyond price, the two documents differ in what the company promises and what the investor can expect going forward.

SAFE

- Participation right after the next priced round only
- Basic reps: company standing + IP ownership
- No standing information-rights obligation
- Transferable to the investor's own affiliates

KISS

- Participation rights across all future funding rounds
- Basic reps + IP + litigation representations
- Information rights for major investors, standard
- Transferable to anyone, no restriction

The pattern holds throughout: SAFE minimizes what the founder owes beyond the headline economics. KISS adds a layer of investor-facing governance on top.

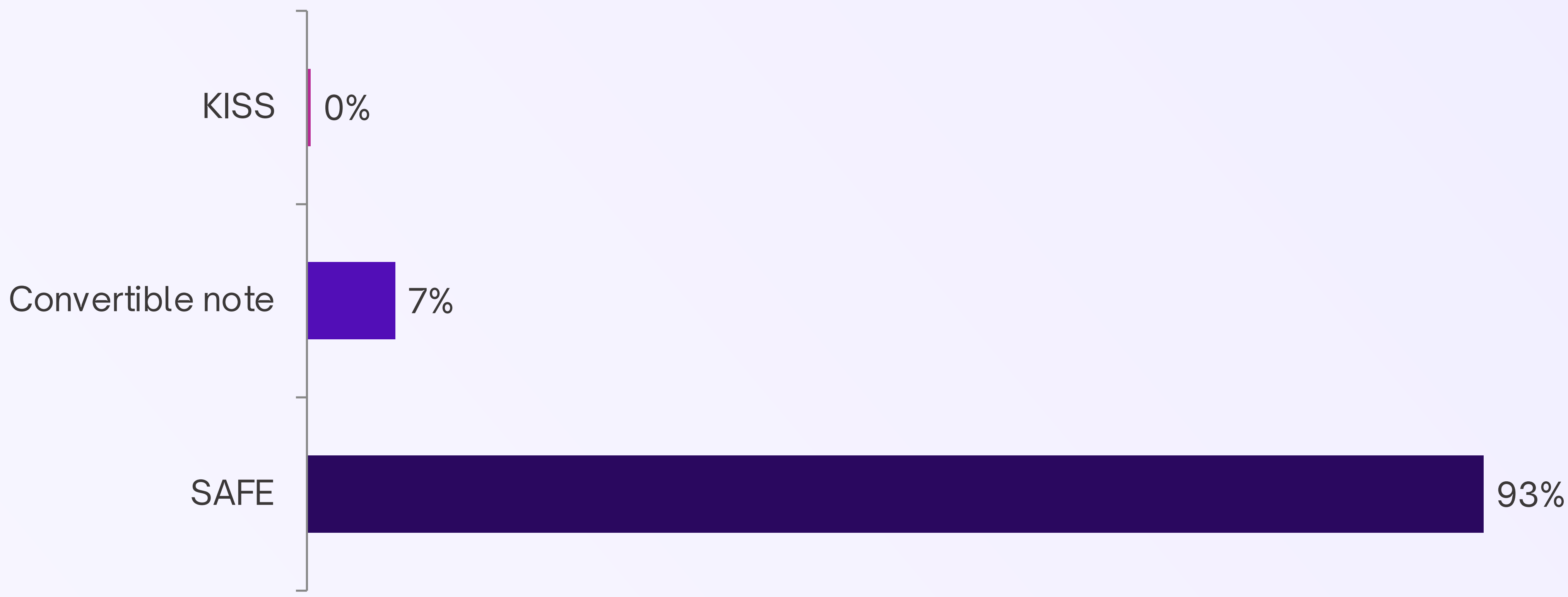
A concrete example : The information-right gap

Say a company raises $500,000 from a single investor on each instrument. Under a standard SAFE, that investor has no ongoing right to see financials they find out how the company is doing at the next round, or not at all until then. Under a KISS, crossing the "major investor" threshold (commonly $50,000 or more) triggers a standing right to annual financial statements. Neither is wrong, but a founder juggling a dozen small SAFE checks and one larger KISS check should expect a different level of investor engagement from each and plan reporting accordingly.

06 · THE NEW PERSPECTIVE

Has KISS Already Lost?

Most SAFE-vs-KISS comparisons treat this as a live, 50/50 choice. The 2026 data says otherwise.



KISS is now so rare at the pre-seed and seed stage that Carta, which tracks over 50,000 startups, no longer reports it as its own category. It's folded into a general "note" bucket that itself has shrunk to a record-low 7% of instruments.

THE NEW PERSPECTIVE

This isn't really a debate between two equally viable options anymore. It's a question of whether you have a specific reason to deviate from the market default and if you don't, that default is the SAFE.

06 · THE NEW PERSPECTIVE

Why Did KISS Lose Ground So Fast?

KISS wasn't a worse document it was a differently optimized one. Three forces explain the gap.

Network effects compounded

Every accelerator, lawyer, and angel network that standardized on the SAFE made the next SAFE deal faster to close. YC's scale gave it a head start KISS never closed.

The 2018 post-money update

SAFE's move to post-money pricing removed the last major mechanical complaint founders had unclear dilution math without adding a single new investor

Simplicity was the whole point

KISS's added protections (MFN, information rights, 2x downside) are reasonable asks but they reintroduce exactly the negotiation friction both instruments were built to remove.

WORTH REMEMBERING

Standardization, not superiority, usually wins early-stage markets. The instrument with the lowest friction to "just use the default" tends to compound its lead every quarter.

©2026 Qapita

07 · THE EXCEPTIONS

When KISS (or a Note) Still Makes Sense

"Rare" is not "never." A handful of situations still favor KISS-style, or note-style, structuring.

Your lead investor asks for it

Some angel groups and syndicates standardize internally on the KISS or a note. Fighting that on a small check is rarely worth the friction.

Bridge financing close to a priced round

When conversion is imminent, the extra investor protections in a KISS cost the founder very little in practice.

You need a maturity-forced outcome

A note or KISS Debt's maturity date can force a conversion or repayment conversation useful leverage if you expect a slow, uncertain path to a priced round.

Jurisdictions outside the US

SAFE's tax and legal treatment is optimized for Delaware C-corps. Outside the US, note-like instruments can be the more legally coherent choice.

Reading the exception list correctly

None of these four cases are really an argument for KISS over SAFE in the abstract, they're arguments for matching the instrument to a specific, identifiable constraint you already have. A founder who reads this list and picks KISS because "the investor rights seem more fair" is solving a problem they don't have yet at the cost of one they will have: slower diligence, a less familiar document for the next investor's lawyer, and one more set of terms to track correctly on the cap table. The exceptions are real, but they're narrow by design which is exactly why the market default has consolidated so hard around the SAFE.

©2026 Qapita

08 · THE FRAMEWORK

Choosing Your Instrument

A practical order of operations for founders deciding what to send investors.

1. **Default to the post-money SAFE, cap only**

   This is what most investors expect, what most lawyers can review fastest, and what closes with the least friction. Start here unless you have a specific reason not to.

2. **Check what your specific investor is used to**

   A syndicate lead or accelerator with a standard document of its own will often ask for it directly. Don't fight this battle over a small check.

3. **Add a discount only if the cap alone won't clear**

   A cap-only SAFE is simpler to model. Add a 20% discount only when it's needed to get the round done.

4. **Reach for KISS or a note only for a specific reason**

   Maturity-forced conversion, jurisdiction requirements, or investor-side protections you've agreed are fair not habit.

5. **Model dilution before you sign anything**

   Stack every open SAFE, KISS, and note against your next round's likely valuation before you agree to a new cap.

©2026 Qapita

08 · THE FRAMEWORK

Common Mistakes to Avoid

The instrument rarely causes problems. Poor bookkeeping around it does.

✕ Losing track of stacked caps

Every open SAFE and KISS at a different cap dilutes founders differently at conversion. Model them together, not one at a time.

✕ Mixing pre-money and post-money SAFEs

The two calculate ownership differently. Combining them without adjusting the math understates real dilution.

✕ Treating a KISS's MFN clause as boilerplate

It can retroactively upgrade every existing KISS holder's terms the moment you issue better ones plan future rounds with that in mind.

✕ Forgetting KISS Debt's maturity date

An unconverted KISS Debt note can become due and payable a cash surprise if the priced round slips.

✕ Not reflecting instruments on the cap table in real time

Investors and auditors expect an accurate, current view of every outstanding SAFE, KISS, and note, not a spreadsheet reconciled once a year.

Why stacked caps are the one to watch closely

Imagine three SAFEs on the books: $250K at a $5M cap, $400K at a $8M cap, and $350K at a $10M cap. Each one looks manageable in isolation. But at a $15M priced round, all three convert simultaneously, each at its own cap-implied price and the founder's actual dilution is the sum of all three conversions, not any single one. Founders who model caps one SAFE at a time routinely underestimate total dilution by several percentage points. The fix isn't complicated, it's just easy to skip when each SAFE was signed months apart under real time pressure.

09 · HOW QAPITA HELPS

One Cap Table for Every Instrument You Issue

Whichever instrument you choose i.e. SAFE, KISS, convertible note, or all three across different rounds, the real risk isn't the paperwork. It's losing track of how it all converts.

Every instrument, one ledger

Issue and track SAFEs, KISS notes, and convertible notes side by side no separate spreadsheet reconciliation.

Live dilution modeling

Stack multiple caps and discounts against a hypothetical priced round and see real-time ownership impact before you sign.

Compliant, ready-to-issue templates

Branded, attorney-informed SAFE, KISS, and convertible note templates built for the US market.

Built for Seed to IPO

Clean conversion records and audit-ready history when it's time to convert everything into your first priced round.

See it on *your own cap table*

Qapita models how your open SAFEs and KISS notes actually convert side by side with your priced-round scenarios so you know your real dilution before you're in the room with a term sheet.

Book a Demo